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Shifting Ownership for the Energy Transition in the Green New Deal: **A Transatlantic Proposal**

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To put it bluntly: We are running out of time to solve the climate crisis. Years of solutions based upon technological fixes and market-driven mechanisms have proven too little and too easily strong-armed by fossil fuel and industry interests. With atmospheric concentration of carbon dioxide passing 415 parts per million[1] – unseen in human history – we need a dramatically different approach that quickly makes up for years of lost time. Doing so means challenging the underlying structures of our economy that have stopped climate action for so long: imperatives of growth, extractivism and corporate control. Anything less than radical will not allow us to deal with the urgency of climate crisis, nor create the lasting justice that we need.

The Green New Deal holds potential. With specific policies still at the ideas stage, the narrative surrounding the Green New Deal is one of sweeping action, huge government investment in public infrastructure, and repairing the historical harms of communities disproportionately affected by pollution and climate change.[2] The plan's massive ambition has lit the imagination of those in the United States and abroad. For countries in the global North like the United Kingdom and the US, historic centres of economic exploitation and carbon emissions, action at this scale is an international duty.

But how specifically does the Green New Deal unleash itself from the imperatives of our current political economy? How do we move from constant need for growth, resource (and often colonialist) extraction, and a politic firmly held by corporations, towards an economy based on democracy, justice and sustainability? One strategy is clear: shifting ownership structures at all levels.

This report covers three specific strategies to take on the transformation of the energy sector through public ownership in the US. In all three, there are clear cognates in the UK. First, we tackle the issue of fossil fuel extraction by prompting a federal buyout of the fossil fuel majors. Second, we discuss regional planning and enterprise that can shepherd a just transition for communities and workers in extractive zones as well as other sectors in need of decarbonization. Last, we investigate the potential of energy utility public ownership to kick out a fossilized energy system in favour of energy democracy.

1— Nationalise the Fossil Fuel Industry

Despite the bold ambitions of the Green New Deal Resolution presented by Rep. Alexandria Ocasio Cortez (D-N.Y.) and Sen. Ed Markey (D-Mass.), a crucial piece is missing: stopping the extraction of fossil fuels, or what is often referred to as supply-side action. This is by no means exclusive to the Green New Deal. In fact, the Paris Agreement fails to mention fossil fuels altogether. As over 600 environmental organizations have concluded, addressing the urgent threat of climate change requires affirmative legislative action to phase out all fossil fuel extraction.[3]

After years of inaction on this front, the tides are changing. Understanding the intrinsic relationship between fossil fuels and climate change, two US senators and major contenders for the 2020 Democratic presidential candidacy, Elizabeth Warren (D-MA) and Bernie Sanders (I-VT), have proposed a ban on all new fossil fuel leases on public lands.[4] At the state level action is also mounting, with the state of Oregon killing the huge Jordan Cove gas terminal and pipeline project and Jay Inslee, Washington governor and 2020 Democratic contender, opposing a state gas plant and methanol production facility.[5]

These are major wins for eliminating extraction infrastructure and would be key to any Green New Deal. However, a gap remains. US federal lands account for just 40% of national coal production, a quarter of oil production, and an eighth of gas output.[6] How do we address the remaining fossil fuel production extracted from privately owned lands in the US? Close to 85% of all known fossil fuel reserves need to stay in the ground, requiring us to go far beyond actions that keep unleased public reserves in public hands.[7] We need to secure public control of existing private (and already leased public) fossil fuel reserves.

The timeliest way to accomplish this is for the government to promote a federal buyout of top US-based, publicly-traded fossil fuel companies. Taken together, the 10 US majors, which includes ExxonMobil and Chevron, hold decision-making power over the vast majority of American public and private reserves. While a public takeover of private companies can be executed in a number of ways, a straightforward pathway would be to use the tool deployed during the 2008 Financial Crisis.[8] Back then, the government's financial intervention relied on a policy mechanism known as quantitative easing (QE). Through QE, the Federal Reserve was able to create over US$3.5 trillion between

2008 and 2014, which was then used to bail out banks, insurers, and even the automobile industry – all without burdening taxpayers or spurring runaway inflation.[9] In a clear misstep, the federal government didn't use its majority stake in the rescued companies to radically overhaul the institutions; instead it sat passively and hoped, in true trickle-down fashion, that propping up failing banks and companies would support economic activity and job creation.

For less than a third of the cost, the Federal Reserve could accomplish something much more transformative, by buying out the majority (anywhere from 51% to 100%) of fossil fuel companies' publicly traded shares to secure their control. Answerable to the public and without the growth imperative, the government would be much better poised to manage their decline by directly cutting fossil fuel production from existing and under development sites in accordance with a 1.5 degrees Celsius global heating rise limit – as well as stopping new developments that are clearly outside the carbon budget. Such buyout would also promote the much needed knockout blow to the entrenched political interests of their (now former) CEOs and big bank shareholders, clearing the path for the government – in direct consultation with affected workers and communities – to genuinely design, build, and govern the just transition.

Home to some of the world's largest publicly traded fossil fuel companies – namely British Petroleum and Shell UK – the UK could equally benefit from a QE-financed policy that takes back control of their reserves (including Clair field, the largest oil field in the UK continental shelf).[10] The Bank of England has previously used QE to create almost half a billion pounds, which further fueled wealth inequality and favoured high-carbon industries.[11] Instead, it could use QE to manage the decline of the 5.7 billion barrels of oil and gas already in operating fields that, if extracted, will blow the UK past its Paris Agreement goals.[12] The UK Labour Party has expressed interest in nationalising core pieces of infrastructure for the common good (including for climate-related reasons). It is time to apply this same reasoning to Big Oil.

Nationalising the fossil fuel industry in both the UK and US would reverberate across the globe. As two epicentres of major fossil fuel company headquarters, home of extraction points like the Permian Basin in Texas and the North Sea, and printers of two of the strongest currencies that underpin the global financial system, buyouts for a managed decline of fossil fuel production could take the industry out at the knees.

2— Regional Planning for a Just Transition

As the government closes the valves of the fossil fuel industry, we need a clear and just transition plan for the workers and communities that have been historically tied to these extractive industries. To date, the transition plan in US coal country has consisted of companies declaring bankruptcy, terminating medical benefits for retirees (whose lungs are irreversibly damaged by the work), weaselling out of pension fund obligations, and cutting current jobs with limited options for new employment opportunities. Westmoreland Coal in Kentucky filed for bankruptcy in October 2018 leaving more than 250 active employees, 1,000 retirees and spouses of deceased miners affected, including a collective loss of $329 million in retiree benefits.[13] Meanwhile, its executives receive bonuses of up to $1.5 million a quarter.[14]

Nationalising the fossil fuel industry gives us the chance to flip the script on this transition, putting workers and communities at the centre. We have the opportunity to build a dovetailing strategy that can simultaneously revitalise extracted communities (from fossil fuels but also other extractive tendencies within our society) and mobilise the US toward a zero-carbon future. Through regional planning and public enterprise strategies we can, for swaths of the country, consider the worker, community, and the environment in tandem.

As we contemplate the potential of the Green New Deal to effect this transition, we can look to historical examples from the original New Deal. Former US President Franklin D. Roosevelt created the Tennessee Valley Authority (TVA) in 1933 partially as a strategy to electrify rural America (in which only one in 10 homes had access to electricity at the time) and partially as a major jobs initiative in a region where farmers and workers were struggling to get by. A federally-created public company, the TVA worked alongside other New Deal agencies like the Civilian Conservation Corps, a jobs program for young unmarried men, state agencies and local universities to execute large-scale projects.[15] Today the TVA is the largest public power company in the US – still serving many of the surrounding states with electricity.[16]

The picture wasn't all good jobs and bright lights, though. As Derek Alderman puts it, "Despite the progressive, reconstructive focus of TVA [...] the Authority perpetuated and further legitimised a Jim Crow style of racial discrimination against African Americans through its employment practices and community planning."[17] The TVA used eminent domain to displace farmers, in particular pushing black families off their land without fair compensation and rarely extending the same job opportunities to people of colour. The National Association for the Advancement of Colored People (NAACP) criticised the project as "lily-white reconstruction."[18] TVA is not alone in its structural racism – both urban and rural planning in the US have operated on discriminatory design principles to date.[19] Consequently, communities of colour are burdened with a disproportionate amount of pollution as gas plants are built in black backyards, pipelines plotted through indigenous land and highways cut through Latinx communities.[20]

While TVA's history is tied to racial segregation, there is an alternative for regional planning. In fact, a brief by American think-tank PolicyLink describes the need for regional equity strategies, "Economic development [...] extends beyond cities to regional economic clusters; environmental issues exist within bioregions; and social issues cut across neighbourhoods."[21] If these regional projects are more democratically accountable, they could have "great potential for community change that is racially and economically just," says longtime environmental justice activist Robert Bullard.[22] Doing so will mean centering community and public ownership so the benefits are not exported, and that public authorities create participation methods from the outset that put control in the hands of community leaders, trade unionists and local political appointees.

We could imagine a series of regional authorities in the US decarbonising and revitalising the geography. Federal funds could be funnelled to the locally controlled authorities, where communities could co-create their regional development plans. For instance, the plains of Texas and Oklahoma – currently covered by fracking rigs – could be redeveloped into centres for wind power. Working alongside unions and community members, job centres could transition workers from oil fields to wind farms.

The Detroit Democratic Socialists of America (DSA) have proposed a Great Lakes Water Authority that follows this strategy. The plan seeks to "Make The Rust Belt Green" by repurposing General Motors' closed plants for green manufacturing, employing workers to weatherise houses to lower both carbon and energy poverty, and repair water infrastructure in one of the most important freshwater sources in North America, the Great Lakes. The Authority proposal puts frontline communities like Flint, Michigan (where public water is non-potable) at the centre of economic transformation, allocating additional resources to make up, at least in part, for historical wrongdoings. It also has strong language around living wages, the right to unionise, and educational grants for skills training.[23]

The UK presents similar ideas for just transition planning at the regional level. The UK's North hosts the majority of coal, oil, and gas production infrastructure that currently supports 28,000 jobs[24]. The Institute for Public Policy and Research (IPPR) proposes a Just Transition Commission for the region in order to plan the decline of the fossil fuel industry. This is the type of regional planning that will be necessary to think holistically about how we move from a paradigm of extraction and towards a regenerative – and reparative – economy.

3— Energy Democracy and Public Utilities

Another clear question of the energy transition is: What renewable energy system are we trying to build? At the beginning of this report we talked about the paradigms of the current energy system – extraction, unfettered growth, and corporate control. Now we must lay the groundwork for the next paradigm – one built off renewables, democracy, and community wealth. The term "energy democracy," a commitment to resisting fossil fuels while building a community-controlled and just renewable energy system, is gaining momentum as a movement, a goal, and a rallying cry that articulates that future.

Energy democracy manifests itself in many ways, including community-based solar, strategies for vibrant, affordable green housing, and even resisting pipelines. One thing that has become clear in achieving these strategies is that for-profit energy utilities stand as a major structural impediment to action. These energy utilities have strangleholds over the energy system and they are not willing to deal with the realities of climate change; instead they are more interested in bottom lines and big cheques for executives. When the effects of climate change do hit them, they put the burden on the state and their customers. This epitomises the privatisation of gains and socialisation of losses inherent in the current system.

The investor-owned utility Pacific Gas & Electric (PG&E) in California is a clear example. A combination of PG&E's faulty transmission lines and climate change-induced drought sparked huge wildfires across the state, killing at least 86 people and razing the entire town of Paradise.[25] Now burdened with the significant cost of the wildfires, the utility is looking for a government bailout that would put the costs on customers.[26] In Virginia, Dominion Power has exerted almost total political power, swindling ratepayers to pay for unnecessary pipelines so the company can generate more natural gas export business.[27]

In the last couple of years, we have seen a major resurgence of utility takeover campaigns. Communities are fed up with political power plays and climate inaction. From cities like Boulder, Colorado seeking to take the utility into the city's hands to achieve their climate goals to the entire states of Maine and California looking to kick out investor-owned utilities in favour of a public system.[28] In fact, fights against these multinationals are transatlantic. The utilities that the Labour Party hopes to nationalise to avoid climate catastrophe, referred to as the "Big Six," are some of the very same companies holding the energy system hostage in the United States.[29] For instance, there are campaigns both in Rhode Island and more recently in Massachusetts to "#NationalizeGrid" – National Grid, a UK for-profit company operating in both "New" and "Old" England.[30]

The move to bring energy utilities under public ownership as part of a larger decarbonisation strategy also has a historical precedent in the original New Deal. During the 1920s, rural America stayed dark as cities electrified. Investor-owned utilities didn't think rural electrification was a profitable endeavour and refused to enter rural territory. This has a clear resemblance to utilities' climate inaction, where they see decarbonisation as a social value outside of their concern. The Rural Electrification Administration (REA) jumpstarted rural electrification by providing patient capital, technical expertise and legal authority for farmers and communities to band together to start their own utilities either as electric cooperatives or public enterprises.[31] The project was rapidly oversubscribed and electrified 90 per cent of rural America in just 10 years.[32]

A similar national-level project like REA could be started in the United States to provide a catalytic tool for these campaigns – something called the Community Ownership of Power Administration.[33] By deploying much-needed financing and capacity-building to design and build a publicly-run energy utility, municipalities, regions, or even whole states or provinces could take the reins from their for-profit utilities. Those funds could be used to invest in a vibrant local economy based on energy democracy, on such priorities as energy efficiency, shared solar and electrification, and good jobs to do it all.

Taking the grid back into public control via a Green New Deal provides a foundation for building the next energy system and supporting energy democracy more broadly. Across the US and UK, our energy future could be removed from for-profit hands in favour of renewable energy, deep democracy, and redistributed wealth.

4— Conclusion

In Washington, D.C., young activists sat in on Democratic Leader Nancy Pelosi's (D-CA) office, refusing to leave until she committed to a Green New Deal. The youngest member of Congress, freshman Rep. Alexandria Ocasio-Cortez (D-NY), joined the protest on her first day in DC, rebelling against the status quo. Now, Democratic presidential candidate and centrist Joe Biden talks on the campaign trail about a "middle ground" climate plan, implying that the Green New Deal is much too radical.[34] In London, Extinction Rebellion recently held 10 days of "strategic disorder," blockading roads, bridges, and commerce to demand action in the face of climate crisis. In response, Mayor Sadiq Khan addressed the activists by telling them that he too cared about the climate, but it was time to let the city go back to "business as usual."[35]

There is no more business as usual; there is no more middle ground, particularly for the US and UK. The UK birthed the coal-fueled Industrial Revolution and has treated much of the world as its resource colony. The US is the biggest historical emitter in the world, barreling into other countries to get access to new oil. We must recognise the duty of these two countries to the rest of the world to decarbonise rapidly and to untangle the web of historical harms caused by the exploitative economies that they imposed around the world.

US-UK transatlantic coordination for the Green New Deal on policies like the ones proposed here could reimagine the very foundation of our economies. A solidarity nationalisation plan, for example, would allow these two countries to partially secure the ownership of four (ExxonMobil, Chevron, BP and Shell) out of the five biggest oil companies in the world.[36] Usurping utilities like National Grid on both sides of the Atlantic would unleash the potential for energy democracy to flourish. Regional planning could shepherd in a just transition and enable democratically designed, large-scale decarbonisation. If we fail to enact such radical plans and shift ownership, we will be left with incremental steps that skyrocket us way beyond 415 parts per million and expose communities to economic and climate chaos.

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