

The Great Energy Transition

With Paul Yett, Director of ESG & Sustainability and Brent Burnett, Co-Head of Real Assets

PAUL: I could see that there's a lot of complexity in terms of what people's desire is to focus on the environmental side of it, and there's a cost to that, and the cost may disadvantage certain populations more than others to get there, but there's still the need for that sort of transition, right? There's still the amount of environmental catastrophes that we're hitting every year, the climate change reality of it, we have to do something. How do we do that and how do we get from A, where we are today, to C, with a balance through that?

BRENT: Absolutely. We have to do something. The latest climate studies that were published fairly recently have painted this as a catastrophic picture that we're looking at if we don't change something. Going back to your analogy of, or your question around good versus bad, as it relates to fossil fuels and renewable generation, we would like to draw clear distinctions between those fuels that we use that are environmentally negative and fossil fuels and those fuels for energy generation that we may use that are environmentally more friendly, like renewable generation as being good versus bad. We like things to be black and white.

PAUL: Wind power.

BRENT: Exactly.

PAUL: Everyone loves wind power.

BRENT: Everybody loves wind power, everybody loves solar, everybody loves electric vehicles for their environmental benefit, but I think that's the wrong way to think about it, because even those transportation technologies do have some negative environmental consequence to them. Wind generation, for example, these huge wind blades generate a lot of global waste, they can't be recycled, they're oftentimes retired in 10 years because there's a new design that comes out that might be better, more efficient, but those typically have 25-to-30-year useful lives, they're pulled down in 10 and they go sit in some specialized landfill somewhere.

So, when blade waste is a real problem, we're generating a lot more wind power globally, what do we do to with these old wind blades? On the solar side, there was a good Wall Street Journal article a couple of weeks ago about how most of the solar panel manufacturing which comes from China is done using coal-fired generation. Globally, coal is still the single largest energy source. We still have net capacity additions globally in coal-fired generation, and part of that coal-fired generation is going to build a new renewable industry. There are some embedded conflicts even in the environmental

piece for some of these technologies that are being pursued.

PAUL: How should I feel about that? The block you and I now live on together, I have all my solar panels, I feel really good about that. I come home, plug in my electric vehicle and think this is awesome, and you're telling me that it's coal-generated, at least in some part.

BRENT: I'm not saying it's not better, right? What I'm saying is we can't let the perfect be the enemy of the good. Part of this energy transition is recognizing that it's going to take a very long time, and that we have to be willing to make some trade-offs in how we get there. You like to plug in your electric vehicle... Electric vehicles

have a great potential to reduce emissions, electric vehicles require a lot of lithium, cobalt for the battery infrastructure, copper for the wiring. These are still very environmentally intensive things to mine, sometimes these things are mined in locals that have a poor history of human rights.

So even that, there's a social element to those that I think we need to be aware of, and we need to recognize in this transition that we have to comprehensively identify what are the environmental consequences, what is the right governance structure, what are the social costs in the short term and in the long-term as we move through the adoption of these types of technologies.

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