

The Climate Show – Episode 25

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Transcript

00:00:04 Linnéa Nordlander

Hi and welcome to the Climate Show, a podcast that explores the law and politics of climate change.

00:00:09 Linnéa Nordlander

This podcast is brought to you by the University of Copenhagen.

00:00:16 Linnéa Nordlander

Hi. We are Beatriz Martinez and Linnéa Nordlander.

00:00:19 Alessandro Monti

And Alessandro Monti.

00:00:20 Beatriz Romera

And we are your host at the climate show.

00:00:25 Beatriz Romera

In today's episode, we talked to Professor John Paterson about the energy transition and its connection with energy security and equity. Professor Paterson is chairing law at the University of Aberdeen and Co-director of the North Sea Energy Law Programme.

00:00:39 Linnéa Nordlander

To support countries transition to sustainable energy.

00:00:42 Linnéa Nordlander

It's important to understand how the three pillars of climate change, energy, security and equity interact.

00:00:48 Alessandro Monti

Indeed. And as Professor Paterson explains, this interaction is increasingly influenced by geopolitical tensions which lead to rapid and significant evolutions in the regulatory landscape.

00:00:59 Alessandro Monti

And with this, we leave you to John. Enjoy the show.

00:01:09 Beatriz Romera

It is a great honour to welcome Professor John Paterson from the Centre for Energy Law at the University of Aberdeen to our climate show. John, although this is not your first time in Copenhagen, we are so happy for your visit. Welcome.

00:01:21 John Paterson

Thank you very much. Via, as you say, it's not my first time here. We've had a long collaboration between the University of Copenhagen and the University of Aberdeen, in particular in the context of the North Sea Energy Law Partnership. So yeah, I'm very glad to be back.

00:01:35 Beatriz Romera

Thanks. So going into business, we're here to talk about energy law and the evolving energy trilemma. My first question for you is about the traditional energy sector, which is going through disruptions at present for a number of reasons, geopolitical but also others.

00:01:55 Beatriz Romera

Related to the need to respond to its very significant contribution to greenhouse gas emissions.

00:02:01 Beatriz Romera

Do the current geopolitical drivers derail climate change efforts or reinforce them?

00:02:07 John Paterson

That is a good question, and I think the answer is actually a bit of both because clearly the geopolitical upheavals we see at the moment, whether it's the continuing Russian invasion of Ukraine, whether it is the tension that continues in the Middle East. All of these are things that have brought energy security back to the top of the agenda.

00:02:29 John Paterson

And when that happens, it, you know, can be seen as rebalancing the energy trilemma in favour of energy security and at least for a time that can reprioritize.

00:02:41 John Paterson

Continuation of fossil fuel production and use.

00:02:45 John Paterson

However, as I say, it can pull in other direction as well because as history shows, when we have those kinds of disruptions that can actually give a boost to other energy sources, it forces consumers in particular to think about diversification of their supply.

00:03:05 John Paterson

Not only as we've seen in the past, different sources for fossil fuels, but also different energy sources in them.

00:03:12 John Paterson

Twelves, so one would hope that in the medium term, at the very least, we can see these disruptions as actually enhancing the position of renewables and low carbon sources going forward.

00:03:28 Beatriz Romera

You touch upon the fossil fuel industry. What is your sense of its responsiveness to the need to tackle climate change?

00:03:38 John Paterson

Yeah, it's a good question. Clearly, the fossil fuel industry can't be in any doubt about the fact that it's in the end game, it's only a question of how long that that end game will continue. On the other hand, and to some extent, as we've seen in the answer to the previous question.

00:03:58 John Paterson

The strength of the signal coming to the fossil fuel industry, about the need to disappear, as it were, that changes through time. So even if I just focus in on the UK over the last decade, that my own jurisdiction.

00:04:12 John Paterson

There's really been a sort of roller coaster ride for the fossil fuel industry there for oil and gas.

00:04:21 John Paterson

Go back about 10 years and the emphasis for the UK government was very much on maximizing economic recovery, trying to ensure that we produced as much of our

remaining oil and gas reserves, principally offshore as we possibly could as the years rolled by, we certainly.

00:04:40 John Paterson

We went down that road, we put in place a new regulator, we had a new strategy to push that off.

00:04:45 John Paterson

Forward. But then, of course, uh, the uh, we were reminded, not least by the COP in Glasgow that we also have climate change obligations, and it was notable at that time that our strategy focused on maximizing economic recovery, suddenly had an addition of a climate change checkpoint. One can argue about the.

00:05:05 John Paterson

Strength of that checkpoint. But what that also meant, of course, was that the debate opened up again about the appropriateness of a country like the UK continuing with oil and gas production, and in particular continuing with the issuance of new petroleum licenses.

00:05:23 John Paterson

And even as we speak at this point, as we head towards another general election, there is a really live debate about what is the best way forward for the UK. Do we continue with petroleum licensing? Do we stop that and simply work with what has already been issued? Does that change in the context of the energy security issues we've been talking about?

00:05:46 John Paterson

And of course, what are the implications of any change for the just transition so the industry has certainly confronted that kind of roller coaster.

00:05:56 John Paterson

And of course, it's not only at the level of licensing and regulation. In that sense the industry is responding to a whole range of other signals as well from the market in terms of ongoing demand and indeed increasing demand as we see population increase and so on. We could also point.

00:06:15 John Paterson

To the responsibility of companies to their shareholders. What are the expectations and indeed the duties that they have in that?

00:06:24 John Paterson

Not. And then of course, there is the growing importance of climate litigation. So, what kind of impact will the shadow of liability and tort have for corporate decision making? So, at any given moment, are all these signals in alignment or do they actually?

00:06:45 John Paterson

Pull in different directions. one suspects that until they are all much better aligned

00:06:49 John Paterson

That it's going to be difficult for companies to make those decisions, and there's a couple of other.

00:06:55 John Paterson

Things to mention.

00:06:55 John Paterson

As well one.

00:06:57 John Paterson

Would be of course also fiscal signals. To what extent do we have an appropriate price for carbon? You know, again, just focusing on the UK, we have a, again an active debate.

00:07:09 John Paterson

About the windfall tax and what any new government might do in that respect. So, a lot of different signals and a real sense that until they're all better aligned, it's not so easy for the industry to make the key decision.

00:07:27 John Paterson

And of course, I've been focusing on all of those answers on the private sector. It's really important to remember that the vast majority of the world's remaining oil and gas reserves lie substantially in the hands of countries where state oil companies play a very important role. So that's something else we need to factor in.

00:07:48 John Paterson

To our thinking.

00:07:50 Beatriz Romera

And in this connection, some argue that there is something problematical about involving fossil fuels companies in the energy transition, while others think that they could play an essential role. Do you have a view on this?

00:08:03 John Paterson

Yeah. And another interesting question. It's not unusual to hear, of course, of oil and gas companies rebranding themselves repositioning themselves and.

00:08:15 John Paterson

You know, receiving more or less skepticism as to what is going on. Are they involved in a sort of degree of window dressing, green washing, or are they really positioning themselves to ride that transition and still be there once oil and gas has, you know, become much less important?

00:08:36 John Paterson

I totally understand the sceptics. There can be a real doubt about whether in many cases, the particular skills and expertise that their industry has are relevant to all aspects of renewables. On the other hand.

00:08:55 John Paterson

We need to be careful that we don't lose the skills and expertise that the industry has where that might be really valuable for the transition.

00:09:03 John Paterson

So, at a kind of macro level, you could argue about its extraordinary skills and negotiating a global industry, its ability to manage and hedge risk across a whole range of different factors. You know that's a very valuable skill set to have and it's 1 based on long experience.

00:09:23 John Paterson

Equally, there may well be areas of renewable energy development where the oil and gas industry, and I mean that extensively to include its supply chain, could be neatly well positioned to assist. So, I remember being at a meeting in the last few months where.

00:09:43 John Paterson

It was revealed that Germany is planning to drill 1000 deep geothermal wells by the end of the decade. One can talk about the reasons for that in terms of the early switch off nuclear power.

00:09:55 John Paterson

And so on.

00:09:56 John Paterson

But that's going to be a very, very difficult ask for industry within Germany itself.

00:10:04 John Paterson

But of course, a huge opportunity for those specialists in the oil and gas supply chain who for whom drilling is, is, you know, day-to-day life. So clearly if we lose that skill set, that could come back to haunt us going forward. That's leaving on one side. All the questions about whether deep geothermal is something you want to do.

00:10:23 John Paterson

Going further down the track.

00:10:25 John Paterson

It's interesting to note a growing interest in hydrogen generally, of course, but in particular what I'm thinking about here is the possibility of a natural hydrogen industry where again we would be involved in drilling and probably quite deep drilling. And again, managing volatile substances.

00:10:46 John Paterson

Again, you've got a skill set that is uniquely possessed by the oil and gas industry, and it may well be that you want that to transition into an industry should that one.

00:10:56 John Paterson

Emerge.

00:10:57 Beatriz Romera

So, Speaking of hydrogen, and there is evidence of high hopes for the so-called hydrogen economy that could make a significant contribution to the reduction of greenhouse gas emissions, this is something that you've been working recently with John Chandler at University of WA. Could you unpack and share your thoughts with us?

00:11:17 John Paterson

Sure. So, I was talking there about a much more speculative aspect of hydrogen in terms of the natural hydrogen industry. But of course, there's been a lot of talk in the last few years about producing hydrogen by a variety of industrial processes. Now at the moment.

00:11:33 John Paterson

Hydrogenous byproduct of other processes we often refer to as brown hydrogen. Going forward, the Holy Grail if you like, seems to be green hydrogen so produced using

renewable electricity to electrolyze water and therefore produce hydrogen, essentially without emissions of CO₂.

00:11:53

You.

00:11:55 John Paterson

Some see blue hydrogen as a possibly necessary step along the way, and that would involve steam reformation of methane to produce hydrogen. But of course, that would have a byproduct of carbon dioxide, which you would then need to capture and sequester.

00:12:14 John Paterson

Sure.

00:12:15 John Paterson

No, all of this then depends on a whole range of factors, including availability of necessary power supply, availability of demand for the hydrogen in the 1st place to make the necessary investments possible. But if we look at some of the specifically legal aspects here.

00:12:35 John Paterson

A huge amount will depend on not just classification blue and green and so on, but also certification. The amounts of money required to put in place what could be a very, very large scale and broadly distributed infrastructure.

00:12:53 John Paterson

Sure, is only going to be made available if there is sufficient certainty that the product coming from any of these processes is actually going to meet the requirements for, uh, a world in which the energy transition is being achieved. So, for example, if we look at.

00:13:14 John Paterson

The way in which renewable hydrogen is defined within the EU.

00:13:19 John Paterson

One could argue that that makes it quite difficult to fit blue hydrogen into that categorization, so does that mean that blue hydrogen is now out of account altogether, or is it only out of account in you know, a particular region or in certain contexts, and that that matters? If again, if I just?

00:13:39 John Paterson

Take my own home jurisdiction. Over the last few years, there's been quite a lot of work going into the development of a hydrogen strategy.

00:13:49 John Paterson

A variety of pilot projects are planned. At one point, there seemed to be a real sense that the obvious step would be to begin with blue hydrogen steam reforming methane, which of course we have at hand in our own natural gas supply.

00:14:09 John Paterson

That would have a variety of apparent benefits in the sense that.

00:14:14 John Paterson

You would be able to blend that into the existing natural gas supply network. So, for domestic and commercial use you could blend that in in the first instance without having to change large amounts of infrastructure, providing the pipe work is OK and so on.

00:14:33 John Paterson

And that would allow the industry to get going. It would start creating a demand which in turn would make it easier to produce investment in further green hydrogen infrastructure.

00:14:49 John Paterson

Now, that looks all very reasonable. If one confines it to those considerations. But then, uh, another argument comes along which is well, why are we even thinking about hydrogen at all? If our long-term goal is to go to green hydrogen, and that's going to involve?

00:15:08 John Paterson

Huge amounts of renewable electricity.

00:15:10 John Paterson

Why not just electrify? Electrify the end use so instead of swapping out your natural gas burners and boilers for hydrogen, run in due course, you would actually simply electrify your cooking and heating, and so on materials so you know a huge number of uncertainties.

00:15:33 John Paterson

And that then raises huge questions for investors.

00:15:37 John Paterson

are they going to commit to this at the hydrogen summit? Just earlier in this month, the mood music seemed to be a little less positive than it's been in recent years, and I think investors are beginning to worry more about how is this all going to work? Where is the demand going to come from? Is the

00:15:57 John Paterson

Legal and regulatory framework in place to provide sufficient certainty so that everyone knows what is required of them and what is what is possible.

00:16:07 Beatriz Romera

What is in your view? The long-term outlook for the energy trilemma that of climate change, energy security and equity?

00:16:17 John Paterson

Yeah, this is an interesting question, and I suppose it depends. You know how honest you want me.

00:16:24 John Paterson

To be.

00:16:25 John Paterson

Very honest. OK, well, I suppose if we if we go back to first principles, then clearly climate change is the biggest and most important problem we've ever faced by some margin. OK, that's pretty straightforward.

00:16:38 John Paterson

Insofar as that's the case, and insofar as it is absolutely the case that it is a problem that can only be addressed globally, then that requires, by definition, an unprecedented amount of global cooperation and coordination.

00:16:55 John Paterson

So that's straightforward and pretty incontrovertible. The problem is that as the years go by.

00:17:02 John Paterson

We seem to see less and less cooperation and collaboration among.

00:17:07 John Paterson

Key players who really matter, and indeed a kind of fracturation and fragmentation at the global level, and indeed you could say within domestic politics as well.

00:17:20 John Paterson

So.

00:17:21 John Paterson

If we take that as a kind of reasonably accurate picture, then there doesn't seem to be a huge amount of reason for optimism that we're actually going to get ahead of it. We're not, we're.

00:17:34 Alessandro Monti

Not.

00:17:34 John Paterson

Going to get ahead of it, but are we going to actually move forward in a way that is, you know, reasonable and realistic?

00:17:41 John Paterson

Now, I don't want to be too pessimistic obviously.

00:17:44 John Paterson

But what I want to think about is what happens if we continue down this road of, you know, a lack of cooperation, collaboration, continuing fragmentation, the climate emergency suddenly becomes so acute that the luxury of choice is taken away.

00:18:04 John Paterson

At the moment, we can still choose to some extent.

00:18:07 John Paterson

If that luxury is gone, what does that mean and in particular for us as lawyers? What does it mean for legal instruments?

00:18:15 John Paterson

Possibly a lot of the things that we take for granted at the moment might just go out the window. So where do we look for inspiration? Where do we look for guidance as we at least think about that?

00:18:28 John Paterson

Admittedly not very attractive possibility. The only one that I can think of. And I don't think I'm alone in this. I've spoken to others who think in a similar way is something like a war economy. Now leave on one side. The awful truth is that we are actually looking at the potential of a real war economy.

00:18:48 John Paterson

What would that mean in practice? What it means is that at a certain. one objective becomes so important that everything else is subordinated to.

00:18:58 John Paterson

In the case of war, it's about victory and everything else becomes secondary. In the case of climate change, it's about reducing our emissions and trying to regain, to any extent, some sort of control.

00:19:15 John Paterson

What would that mean in practice? Well, if the luxury of choice is gone, does it mean that we think in terms of requisition of manufacturing capabilities in the way that we would in a wartime situation, would it mean?

00:19:32 John Paterson

The kinds of.

00:19:34 John Paterson

Quite draconian interventions in markets that we see in wartime situations. Now these are extreme things to suddenly, you know, land on everyone. But I think it's not unreasonable given the scenario I painted at the beginning of this answer, it's not unreasonable to start thinking.

00:19:55 John Paterson

That in these terms, on the one hand, at the very least, means that we are not taken by surprise. If that happens. On the other hand, it might actually serve the purpose of giving us a little bit of a shake and thinking.

00:20:10 John Paterson

Might it be a good idea to try and avoid getting to that point and coordinating and cooperating to somewhat greater extent in order to avoid that scenario?

00:20:21 Beatriz Romera

Let's hope that that coordination, cooperation that the carbonization happens in a way that we don't have to think about those scenarios. Is there anything else you would like to raise before we wrap up?

00:20:29 John Paterson

They meant to that.

00:20:35 John Paterson

No, I think that's it.

00:20:36 Beatriz Romera

OK. In that case, thank you ever so much for today's interview. We are looking forward to continuing our collaboration with you with your university and we hope that you enjoyed the episode of the Climate Show. See you very, very soon in our next episode.

00:20:51 John Paterson

Thank you.

00:20:57 Linnéa Nordlander

Thank you for listening to this episode. If you would like to read more about Professor Paterson's work, check out the link in the show notes stay.

00:21:03 Linnéa Nordlander

Tune in for our next episode.