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Global Economics

Former EPA Chief Carol Browner's Energy Industry Outlook for 2014

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If you were still at the EPA, what would you prioritize?

The big news is the Environmental Protection Agency's work to implement the president's instructions on regulating greenhouse gases. It creates opportunities for the private sector, for states, to find new solutions. I ran the EPA for eight years, and the president never gave me a memo on the front end, saying "get something done." The EPA finds itself in a position of not having to argue with the White House or OMB [the Office of Management and Budget] about whether to do something. They can focus on how to do it.

Do you think the president will do more this term?

He tackled greenhouse gases in cars and trucks. Now he's building on that to do smokestacks and power plants.

Deepwater drilling is flourishing in the Gulf again. Did we learn from the BP spill?

I think there were a lot of lessons learned. The piece that wasn't so obvious was what happened after that. Accidents do happen. The question is how we handle them. After Three Mile Island, the nuclear industry—to its credit—formed this consortium. They problem-solved; they learned from each other. The government encouraged the oil industry to do the same here. You need safeguards, but you can't act as if this sort of thing will never happen. The key is to have a plan that minimizes the impact.

Has shale gas changed the debate around environmental protection?

If five years ago I'd said the U.S. would be energy independent, you would have laughed. What's happened since then is huge. There are issues around how you get it. But we find ourselves in a position where we don't have to seek out dangerous parts of the world to meet our needs.

Do you sense a shift in the mindset because of natural gas?

There feels like a real manufacturing renaissance. One of the things to watch for is the development of shale gas elsewhere. Mozambique appears to have a big find. There are others. Are we headed toward a glut? I don't know.

Is Keystone XL dead?

The concern is the extraction of the tar sands. The pipeline happens to be the vehicle for moving it. But the real concern is, why are we taking an energy source out of the ground that requires so much energy just to get it?

What industry is the most profitable?

19.44%	0.34%	8.55%
33.19%	0.92%	10.72%
10.88%	-0.04%	-1.19%
8.08%	0.01%	0.44%

Bloomberg Industry Leaderboard

If someone thinks it's worth the cost, isn't that their problem to make it profitable?

Well, I share the concern about having a fuel that takes so much energy to extract. At some point, these things aren't economically viable, and that point can change over time. I don't know at what point TransCanada ([TRP](#)) throws up its hands and looks at other options.

Do you keep an eye on China?

There appears to be a growing anti-pollution movement.

If you look at the movement here in the late '60s and early '70s, it was tied to the advent of a middle class. As people become more focused on quality of life, they're more inclined to object to smog. In China you're seeing that with a new middle class.

U.S. companies seem to be taking action on pollution. Are there multiple motivations?

For every requirement that forces a company to reduce its pollution, I will find you a company that benefited. They see a market opportunity.

Hasn't that always been true?

When I first started in this pollution business 25 years ago, it was always about the bottom line, but not exclusively. Now the bottom line is, for more people, more important.

Have climate change predictions changed the energy sector?

I hope the scientific consensus is well respected at this point and we take seriously the need to reduce our greenhouse gases. The alternative is to build resiliency and adaptation, which we're also doing. But that adds a lot of extra costs. It's cheaper to prevent the problem.

Explain what you mean by resiliency and adaptation.

Resiliency is how quickly we can recover from a storm. Lower Manhattan didn't recover from Sandy for 10 days. Think of all the money lost. Adaptation is where you take areas that were once flood plains, for example, and reconstitute them as flood plains so nature can help. That's expensive, but we have to do more.

What impedes the U.S. from being a leader in this area?

One issue is the momentum to invest in green technologies or efficiency or smarter technologies. Did you see what Virginia did? They apparently put a fee on hybrid cars, because gas tax collections are down. They're basically saying you're driving on the roads but you're not buying as much gas, so you're not paying your fair share of the road construction costs. It's very disheartening! We look at these things as lost revenue instead of a credit, because they're helping to solve the problem.

Are government subsidies needed to make this work?

There's oil industry breaks, tax breaks for nuclear. Look, I get that we use our tax code to help launch nascent industries. Neither of them would really qualify as nascent, by the way. And yet the poor wind and solar guys are arguing every year for their tax breaks.

What's on your radar for 2014?

First is the consequence of the boom in natural gas. I also think fuel-efficiency standards for cars will lead to new technologies. It's interesting to see how the American car companies, having come through the crisis, are really embracing these standards.

Do you worry that we have a few short years to reverse the damage being done?

I think we will look back, 10 or 15 years from now, and it will look pretty remarkable. The changes we're talking about are sensible. Take out climate change and there's still reason to do this stuff.