

# IAEE ENERGY FORUM

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International Association for  
**ENERGY ECONOMICS**

## PRESIDENT'S MESSAGE

As this edition of the *Energy Forum* is published, I begin my fourth and last quarter of service as your president. Each year seems to go by faster than before, and although circumstances of the pandemic have certainly tried our patience they have not actually slowed the clock, so it is hard to imagine that my term will soon be coming to a close. Let me say first how honored and grateful I am to have been able to help lead the IAEE through rather difficult times. Also, how grateful I am to all of the IAEE officers, Council members, Affiliate leaders, and regular IAEE members who have carried on and performed to their utmost to make this year an unexpected success for the Association. And I must also say how thankful I am to know that Peter Hartley stands ready to take up the reins as the next IAEE President, to be followed and assisted by President-Elect Jean-Michel Glachant. In these good hands, I am confident that IAEE will carry on with the spirit and success that have characterized the organization since its founding in 1977. Although many, perhaps most, of the energy challenges we now face were not anticipated back then, and could not have been, the IAEE and its membership have evolved with the times to remain in the vanguard of energy policy analysis, discussion, and debate.

Although the IAEE's usual cycle of conferences has been disrupted, the activities of the Association as well as those of many of our national Affiliates have proceeded apace. I am sure that no IAEE member remains unaware of the very ambitious and successful series of webinars and podcasts that have been produced through the voluntary efforts of so many of our members, with assistance and coordination provided by Dave Williams and Rebecca Lilley at IAEE Headquarters. Moreover, our journals have continued to expand in terms of the number of submissions and they have continued to evolve in terms of breadth of subject matter as well as the range of new research methods that are being brought to bear in this era of big data, machine learning, web scraping, etc. But let me say that the foundation of the research that we do publish is still grounded in the application of good old-fashioned economic principles. This year we are happy to celebrate the 10<sup>th</sup> anniversary of our policy-focused journal, *Economics of Energy and Environmental Policy*, and are also pleased to note that contributions of IAEE members' research to our *Energy Forum* newsletter have reached an all-time high.

Thanks to modern technology, even our schedule of conferences and meetings has maintained a small semblance of normality, a virtual version of business as usual as it were. I have previously commented on the success and broad participation in IAEE's First Virtual International Conference, held this past June. Still to come this year is the first USAEE/IAEE Virtual North American conference, sched-



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**President’s Message** (continued)

uled for November 1-2. (Please see the IAEE or USAEE websites for more details). Additional meetings were organized this year by several of IAEE’s other national Affiliates, including the SAAEE’s (South Africa) annual conference held in February, the NAAEE’s (Nigeria) annual conference in July, and the special SAAEE (Slovenia) meeting in June to celebrate the Slovenian Presidency of the Council of the EU for 2021. Still to come as I write this is the HAAEE’s (Greece) annual symposium scheduled for late September as well as the AIEE’s (Italy) annual conference in December. And there is continuing good news as we look ahead to next year, as planning is well underway for the 43<sup>rd</sup> IAEE International Conference, to be held in Tokyo at the end of July. Hope to see you all there (in person).

Those of you who attended IAEE’s virtual conference in June may recall the very compelling keynote address given by Dr. Hoesung Lee, former IAEE President and current Chairman of the Intergovernmental Panel on Climate Change, regarding the important work and challenges facing the IPCC—past, present, and future. I was struck by Dr. Lee’s suggestion that, moving forward, it might be a good idea to revise slightly the climate-change “call to arms.” Rather than pleading for everyone to “Save the Planet,” Dr. Lee suggested that a more effective plea would be simply to “Save Me.” The idea is that we might be better motivated to fight climate change if its impact were personalized, rather than left as a general and rather impersonal proposition.

The idea of personal fight against climate change brings to mind an important economic distinction between efforts to *mitigate* climate change by reducing emissions, versus efforts to *adapt* to climate change that we cannot prevent.

We know the attempt to reduce emissions and mitigate climate change depends on many technological initiatives, but that a technical path to that end does exist—as the recent IEA “net zero” report has documented. Yes, it will entail some cost, but cost is not the real impediment to success. People are very willing to purchase individual insurance to protect the welfare of their homes and families. Investments to reduce emissions are just another example of insurance that people really do value and desire. The problem is about who shall pay for this insurance. The difficulty here comes from the “free rider” problem: I benefit whether it is you who reduces emissions, or me. And I prefer it to be you! A solution to this problem, if it exists, will not come easily. So, studies that hope to demonstrate the feasibility of achieving net zero must grapple not only with the technological developments that will facilitate the energy transition, but also with the behavioral obstacles that threaten its implementation.

In contrast, the “free rider” problem is not such an obstacle that impedes adaptation to the effects of climate change. Adaptation involves actions that are mostly local—efforts that involve local expense and that produce local benefits. As with other types of insurance, people are willing to invest in measures that will primarily protect their homes and families against the effects of climate change. Likewise, communities, states, and even nations are willing to invest in programs that will specifically protect the welfare of their own citizens. One prominent example is provided by the Panama Canal, which has recently initiated a \$2 billion program to offset the reduction in rainfall and fresh water that is required to float ships across Lake Gatun and through the canal. Thousands of similar examples of such adaptation can be cited.

My point is that there is a behavioral bias that favors adaptation over mitigation when it comes to fighting climate change. I am not saying this is bad or good; I am only saying that it exists and that policy makers must take into account not only the technological requirements that could move us towards net zero—as in the IEA’s report—but also the behavioral incentives that determine which measures individuals, communities, and nations are willing to undertake. Projections and forecasts that fail to account for the behavioral bias towards adaptation are bound to be wrong.

In closing, I want to again thank all of those IAEE members with whom I have had the pleasure of working during this eventful year, and I wish all of you good health and good fortune as we go forward.

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**IAEE MISSION STATEMENT**

IAEE’s mission is to enhance and disseminate knowledge that furthers understanding of energy economics and informs best policies and practices in the utilization of energy sources.

**We facilitate**

- **Worldwide information flow and exchange of ideas on energy issues**
- **High quality research**
- **Development and education of students and energy professionals**

**We accomplish this through**

- **Leading edge publications and electronic media**
- **International and regional conferences**
- **Networking among energy-concerned professionals**