

Book Review Forum

Brett Christophers, *The Price is Wrong: Why Capitalism Won't Save the Planet*, London: Verso, 2024. ISBN: 9781804292303 (cloth); ISBN: 9781804292310 (paper); ISBN: 9781804292327 (ebook)

It is impossible to come to the end of Brett Christophers' monumental new book, *The Price is Wrong: Why Capitalism Won't Save the Planet*, without learning something. Nor is it possible to finish it without thinking—so what can be done?

What can the book teach us? A lot. I have spent the better part of 16 years studying energy systems, and each chapter of *The Price is Wrong* revealed new aspects of electricity systems to me. There is the thorough (if also depressing) explanation of why existing investment in low-carbon energy is not enough, the genealogy of the now ubiquitous concept of the “levelized cost of energy”, and the relationship between electricity price volatility and the cost of developing natural gas and renewable power plants. There is also the damning critique of corporate power purchase agreements, and the deep analysis of so-called “subsidy-free” renewable developments. The book is simply packed full of insights into the electricity system, and it takes on an impressive geographic scope, examining electricity markets in the US, UK, continental Europe and Scandinavia, China, India, and (to a lesser extent) sub-Saharan Africa. Given the complexity of any individual electricity market construct, this is no small feat.

Why *The Price is Wrong* has received so much attention, however, is Christophers' very clear and powerful argument: while the world has focused on the falling cost of wind and solar generation relative to fossil fuels, the thing that is *actually* holding back a large-scale and rapid transition to renewables is their profitability, or rather, their *unprofitability*. Simply put, wind and solar development are not profitable enough to attract the sums of investment that are needed to avoid the worst impacts of climate change. And, Christophers emphatically reminds us, it is profit—not price!—that is the key metric that financial institutions use when determining when, where, and in what amount they will invest.

Readers of Christophers' earlier books will note their reverberations in *The Price is Wrong*. The focus on the views and requirements of the financial sector relative to electricity provisioning refers back to *Our Lives in Their Portfolios: Why Asset Managers Own the World* (2023). While *The Price is Wrong* focuses less on the long-term owners of renewable assets—frequently asset managers like BlackRock—it does provide insights into the lenders and financial institutions that are faced with advancing investment capital towards wind and solar projects.

There are also echoes of Christophers' *The Great Leveler: Capitalism and Competition in the Court of Law* (2016), an analysis of the economic work that the law does in balancing capitalism's oscillating tendencies between monopoly and competition. *The Great Leveler* examines how anti-trust and intellectual property law have balanced the low and high rates of profit that follow from too much competition or monopoly, and these dynamics are evident throughout *The Price is Wrong*. One example is the lack of barriers to entry in renewable energy development, particularly when compared to fossil fuel development. While fossil fuel plants require the backing of large amounts of capital and connections to (at the very least) pipelines and/or rail infrastructure to provide fuel—substantial hurdles for a small firm—renewables development is more akin to land speculation, an industry with few barriers to entry. The knock-on effect has been delays from flooded transmission interconnection queues and ruinous competition between developers, both eroding already thin profit margins.

The dynamics of competition and monopoly also underlie what is the central actor in *The Price is Wrong*: “deregulated” electricity markets. Historical and contemporary electricity markets are social constructions developed to shoehorn electricity—very much an uncooperative commodity—into the capitalist system (Hughes 1983; Mitchell 2008; Yakubovich et al. 2005). For most of the 20th century, electricity provision was considered a natural monopoly, a view that was initially shared even by the primary architects of deregulated electricity markets (Özden-Schilling 2021). Yet the primacy of markets in the neoliberal imaginary has left the world with electricity markets that are a convoluted patchwork of monopoly and competition.

Christophers describes policy makers attempts to wrangle markets as “an institutional community that, in its efforts of the past three decades first to liberalize, and then to decarbonize, the continent's power sector, has fashioned a creature whose complex and contradictory nature

they barely even understand, let alone can begin effectively to manage” (p.325). Nowhere is this more evident than in the US, where the federalist electricity system has left regional electricity markets like PJM in the mid-Atlantic contending with some member states aiming for 50% renewables by 2030 (i.e. New Jersey) while others prefer to remain 100% fossil-fueled forever (i.e. West Virginia). Renewable developers and investors must therefore navigate a byzantine maze of markets, investment subsidies and barriers as they travel across state lines. No surprise that if law is the great leveler in the capitalist system, law is also the industry most likely to profit in the US renewable energy ecosystem!

The Price is Wrong is a remarkable book. But of course, no single book can do everything. Christophers’ broad scope necessarily leaves out some important aspects of renewable energy development and investment, and I highlight two from my own work here. First is that renewable energy development is not just one thing. By this I mean that renewable energy developers come in all variety of shapes and sizes, and focus on many different parts of the development process. There are so-called Engineering, Procurement, and Construction (EPC) firms that focus on building solar and wind farms, as well as the investment, pension, and asset management firms that often become the long-term owners of solar and wind farms. Both of these have different levels of expected profitability.

The same is true of early-stage solar developers, those firms that assemble the bundle of permits, leases, and rights in the hope they will ultimately materialize into an operating solar farm. While Christophers points to the lower levels of profitability in the renewables sector as a whole, the potential profits of early-stage developers have been attractive enough to catch the eye of private equity investors. Indeed, private equity has been on an acquisition spree of early-stage solar developers in the US, spurred by both their expected profitability but also the preference of private equity firm’s own investors (i.e. pension funds, endowments, etc.) to limit their exposure to fossil fuels. While private equity’s rush into solar development is almost certain to have a concomitant bust, it does speak to the fact that there are outsized profits to be made within renewables development.

My second point returns to that question *The Price is Wrong* leaves you with: So what can be done? Christophers is right to point to the growing dominance of restructured electricity

markets globally. That said, the largest, most valuable, and most politically influential electric utilities in the US remain state-regulated vertically integrated monopolies. Rather than selling their power into volatile wholesale markets, these firms are subject to state regulation and earn revenues based on their capital expenditures, and their profits come at a nearly guaranteed rate of return (typically around 10%). As a result, the price volatility facing independent power producers is not much of a factor. Yet for a variety of political-economic and cultural reasons, vertically integrated firms have largely avoided any large-scale renewable energy development—that is, until state-level rules shift in their favor, as has occurred in Florida, where the state granted utilities quick approvals and outsized returns if they developed solar. Almost overnight, Florida went from outside the top ten solar states in the US to number three. In Christophers' terms, the price was right.

Christophers is right, there is a paucity of options going forward: for all the critique of markets, bankability, and the private sector, they appear likely here to stay. But so, for that matter, are the large monopoly utilities that continue to dominate the US, as well as the public utility law that is meant to serve as a check on the worst impulses of monopolies. While the renewables industry and environmental non-profits rail against these monopoly utilities, we should take the clear lesson from *The Price is Wrong*: restructured electricity markets are not up to the task either. My own view echoes those of others that are pointing to monopoly systems as possessing the economies of scale and political power to facilitate a rapid transition (Huber and Stafford 2024).

Perhaps it is a fairy tale that that the monopoly utilities in the southeastern US—which includes some of the biggest carbon polluters in the world—could be at the cutting edge of a clean energy transition. But as *The Price is Wrong* makes clear, it is no bigger fairy tale than the one most green energy advocates are telling themselves about deregulated electricity markets.

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