



Energy: the fundamental unseriousness of Gordon Brown

Posted by [Jerome a Paris](#) on October 23, 2007 - 10:00pm in [The Oil Drum: Europe](#)

Topic: [Policy/Politics](#)

Tags: [nuclear](#), [united kingdom](#), [wind](#) [[list all tags](#)]

The Guardian [reports](#) this morning on a private report to Gordon Brown that suggests that Britain should oppose binding target for renewable energies in Europe (20% of all energy by 2020, as agreed earlier this year at this spring's EU Summit). The Guardian flags the juicy political bits ("*work with Poland and other governments **sceptical about climate change** to "help persuade" German chancellor Angela Merkel and others to set lower renewable targets*", "*a potentially significant cost in terms of reduced climate change leadership*"), but also provides some of the apparent underlying reasons provided, which are worth commenting upon:

- it undermines the carbon-trading scheme which "*allows wealthy governments to pay others to reduce emissions*";
- it costs too much money (£4 billion a year to get to 9% by 2020);
- it does not help push for new nuclear plants as it "*reduces the incentives to invest in other carbon technologies like nuclear power*";

Let's say it plainly: each of these arguments is stupid, short-sighted and, quite simply, false. Let me take you through them in turn (under the fold).

"it undermines the carbon-trading scheme"

Well, it "undermines it" if the only goal of the ETS (European Trading Scheme) was to allow 'rich countries' to avoid actually doing anything about carbon emissions. That report seems to provide a major insight in how some people treat climate change (and peak oil): they are grudgingly admitting that something should be done, but are adamant that it should not be them - thus their goal is to set a price, as low as possible, to be able to pass on their "something to be done" to someone else while not changing a thing about how they live, burn oil and spew carbon.

There is a real case for emissions trading, in that it can indeed make it possible for investors to come up with the smartest and cheapest ways to lower carbon emissions, and get credit for it - and get those that are emitting carbon, but find it difficult to do so, to pay for it. It costs pretty much the same to install a solar panel in Spain or in Denmark, but the gain will be much larger in Spain, so it is not unreasonable to focus efforts in the solar sector in Spain rather than in Denmark, and trading rights and obligations between countries is indeed a way to do that. Overall, for a given target for emissions reductions, trading can make the overall cost (or effort) smaller by focusing it on the easiest gains. In that perspective, setting a 20% globally for Europe, and not the same target for each individual country, can be acceptable.

But if the goal is explicitly to do as little as possible, as is hinted in the leaked memo, one can expect that the political strategy will be to set up the trading mechanism, and then lobby within that system to make the cost of non-compliance as low as possible, while keeping it fully legal and letting participants able to claim the moral high ground: "we" reduced emissions by x...

Thus, the level of the carbon emission reduction target has no incidence on the effectiveness of

the trading scheme, as the goal is totally separate from the instrument. What that memo states is that the higher (and individualised) target levels will make it impossible for Britain to get away with doing little while pretending to be virtuous.

it costs too much money

Wind, the technology that offers the best prospects for large scale energy generation at reasonable cost at this point in time, still requires some subsidies to be profitable in the current environment. In the short term, it is already cheaper than power generated from gas-fired plants (the break-even is around 6-8c/kWh/4-5p/kWh, or \$50/bl of oil), but as its cost is essentially constant over a very long time (mainly the repayment of the initial capital investment), investing in wind today requires that prices for oil and gas be above such levels constantly for the next 15 years, which is not yet a bet that investors and their bankers are willing to make (we're getting there, though). So a basic level of support is indeed still required - but it can be reduced over time, provided that it is made in a way that never compromises the viability of the support scheme (Spain has done this very well).

And, of course, counting "cost" only as the upfront spending needed to support investment without counting the avoided cost of the alternatives (carbon emissions, coal mining pollution, not to mention the security of supply issue for gas that so worries our politicians nowadays) is profoundly dishonest, but on par for people that refuse to see "costs" other than expressed in money terms - and spend all their time trying to reduce those that would fall on them by artificial means.

Additionally, there are two underestimated sources of value for society of renewable energy: (i) the first one is the cap on power prices provided: the cost of wind or other renewables is set for the next 15 years and will NOT change. At a time of rapidly rising oil&gas prices, such guarantee should have a very real value; (ii) the second effect, [noted in some studies](#) is that as the short term cost of renewables is essentially zero, they displace more expensive power sources whenever they are used, thus lowering the marginal cost of electricity and thus market prices. So *every* kWh of wind power produced actually lowers prices for consumers - and the overall savings can be significant.

So the claim that renewables claim money is made on very narrow grounds and, on a society-wide basis, is fundamentally false.

it does not help push for new nuclear

This has to be the silliest argument of all. I know that many opponents of nuclear argue that wind (together with energy savings) could provide enough power on its own, but most proponents of nuclear retort that wind cannot, rather than should not, replace nukes. In any case, that debate, which makes sense about the very long term, is of no incidence when we're talking about providing 20% of energy from renewables. That still leaves 80% of energy (and a significant chunk of power generation) to be provided by other sources. In particular, the vast majority of power generation in most countries is provided by burning coal and gas. It can be argued (as nuclear proponents indeed do) that nuclear is the only large scale technology that can replace coal on the scale it exists today, for regular always-on baseload power. Coal is the actual "enemy" of nuclear generation, because it exists, it is de facto subsidized as its externalities are still poorly taken into account and thus appears cheap, and it is a lot easier to get built than nuclear (easier permitting process, smaller investment sizes, lots of vested interests). The development of wind is essentially irrelevant to what will happen to nuclear.

The objections to nuclear are only occasionally that the money would be better spent on wind - rather, they are about the fact that issues like waste, catastrophic accident insurance, safety and industry regulation have not been properly addressed, and that transparency is seen as weak.

Everything points towards the absolute compatibility of pro-wind and pro-nuke policies for those that want to pursue both, and attempt to ram through nuclear power plants by killing renewables should be seen as what it is: narrow-minded, unaccountable and stupid (and probably corrupt) decision-making which confirms the suspicions aired about the industry.

Altogether, that leaked memo shows that our politicians still do not see climate change as a real issue - they see it as a political game: people care about it, so noise needs to be made about it, but actual policy making still is, so far, totally cut off from the underlying reality.

It's worrying enough to think about the kind of shock that will be needed for them to actually care about the issue (New Orleans was not enough in the US, will the price be as high in Europe?) - but it's even more worrying to know that, when the shock does come, the response will not be to finally go for what would make sense, but to look for scapegoats, internal (greens, PC do-gooders) and external (Iran, Russia, China, etc... take your pick), because it will be so much easier than facing up to reality.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](http://creativecommons.org/licenses/by-sa/3.0/).