

ENERGY: How Australia can become fuel self-sufficient

by Dr Walter Starck

A greater danger than global warming is a looming global energy shortage, warns scientist Dr Walter Starck. Few Australians, however, realise that their country is ideally placed to develop new energy and become fuel self-sufficient.

Over recent decades, Australia has seen a vast proliferation of regulation and bureaucracy. While some serves a useful purpose, much of it has achieved no worthwhile result, or else has proven to be a net loss in the balance of costs and benefits.

Regulatory demands and red tape are now major obstacles to almost any productive activity. Worse yet, they have ossified around existing circumstances and are major impediments to change and innovation.

What was tolerable in prosperity will now, during a recession, often become unbearable. This situation did not exist in past recessions and will have to be addressed.

The current global recession is deeper, more systemic and widespread than any other since the 1930s Great Depression. To maintain a functioning economy and recover may well require a serious reformation of bureaucracy, aimed at paring back the unnecessary and making the remainder more accountable for outcomes.

A further and even more serious difficulty is a looming world energy shortage. While the recession-induced abrupt decline in demand has temporarily relieved prices, this has also halted new development, thus exacerbating the shortages and price rises that will emerge when demand recovers.

The biggest foreseeable problem we face in the near future is not some unquantifiable risk of climate change at some unknown future time. It will be keeping the economy functioning until energy alternatives are a functional reality able to satisfy demand.

The entire global warming scenario is predicated on continued and increasing consumption of fossil fuel. However, the inability of conventional energy supplies to meet increasing global demand is already confronting us. With or without global warming, alternative sources of energy must be developed. Maintaining a healthy economy is essential to achieve this.

Without adequate supplies of affordable liquid hydrocarbon fuels for transportation and mobile machinery, our existing economy cannot continue to function or to even feed the population. It doesn't run on hypotheticals. At least several decades will be required for development and widespread implementation of alternative energy solutions.

Premature attempts to adopt immature, unproven technology fostered by ill-conceived

subsidies and regulations will entail a high risk of shortages and costly mistakes.

Production of synfuel from coal is a proven technology that could fill the interim energy gap. The only obstacle to implementation is objection arising from the hypothetical danger of global warming.

The sale of about five times the amount of coal is required to pay for an energy equivalent amount of oil. We could produce all our liquid fuel needs from coal, and there are companies wanting to do so - but they can't because of CO2 emissions. However, these would be half of what is generated by the coal we sell to buy the oil. It seems the present government must believe that our coal doesn't produce CO2 when burned overseas.

Australia's annual carbon dioxide emissions are only about 1.5 per cent of the global total. This is barely equal to China's *increase* in emissions over six months. Whatever we do or don't do to reduce emissions will have negligible effect on the global total.

In any event, estimates of natural uptake of CO2 over Australia's land and exclusive economic zone (EEZ) area are greater than our emissions. By any reasonable accounting, we as a nation should be *receiving* carbon credits, not being forced to buy them.

The prospective emissions-trading scheme (ETS) is set to become just another layer of bureaucracy loaded onto an already staggering productive sector with negligible effect on emissions other than that resulting from economic decline.

To verify the ineffectiveness of emissions-trading one need only look at the result where it has been implemented in the European Union or the global result of the Kyoto agreement. Since Kyoto was ratified, global emissions have increased 18 per cent. Those of signatory nations have increased 21 per cent; those who did not sign by 10 per cent; and those for the US by 6.6 per cent.

Evidence

Over the next few years, the economic downturn will result in a much greater reduction in emissions than anything achievable from regulatory measures over the same period. Meanwhile, evidence is steadily accumulating that the amount and impacts of greenhouse (GH) warming have been greatly overestimated, and that a natural cooling cycle overriding any small increase in GH effect attributable to human emissions is now underway.

There is no overwhelming urgency to hastily impose yet another ill-conceived regulatory burden on the Australian economy, especially when it can least be afforded and when any benefit is distant and uncertain.

In terms of climate, resources, geography, population, politics and development, Australia is better situated than any other nation to adapt to the difficult times ahead. This will, however, require making full and effective use of our natural advantages.

The most important thing government can do is not bailouts or handouts, but rather to get out of the way.

Two highly effective things are eminently doable in this respect. The proliferation of

unnecessary bureaucracy requires serious pruning, and that which is retained must be made accountable for positive results. When management fails to perform, it should be replaced.

The other is an initiative to ensure future energy supplies. The most assured and cost-effective way of achieving this would be the implementation of an extended corporate tax exemption for earnings from energy production, and full immediate deduction against other income for investment in the sector.

The result would be an unprecedented boom in creative effort and investment in Australian energy. This would include an influx of foreign investment and skills.

It is not unrealistic to expect that Australia could soon become the global leader in new energy, the Saudi Arabia of a post-petroleum world. Any loss to government revenue from such tax largesse could be expected to be made up many times over in increased revenues from payroll taxes and the flow-on effect throughout the remainder of the economy.

The only real obstacle to success is our inability to envisage this potential and grasp the opportunity. This way forward presents a clear route down Easy Street.

The route we are now taking involves a detour through Jonestown. Only experts using computer models could confuse these options, and we have just seen what they did for the economy. The choice is a no-brainer.

- Walter Starck is one of the pioneers in the scientific investigation of coral reefs. He grew up in the Florida Keys and received a PhD in marine science from the University of Miami in 1964.