

# No We Can't

*Some unmentioned realities in carbon emission controls.*

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In the raging debate over proposed carbon emission control regulations several fundamental issues seem to strangely be ignored. While the argument centres around cost and need, the more fundamental issue of impossibility never seems to receive any consideration at all.

The entire modern economy and sustenance of the population rest on the cheap abundant concentrated energy of fossil fuel. Only two life spans ago the human world was a very different one. Transportation and communication took place at walking speed. Most of the population had to be engaged in food production in order to sustain a minority who could do other things. Lighting and heating were meagre outputs from open flames. Refrigeration did not exist. The only power for almost every physical task was human labour or draft animals.

Our modern food, clothing, houses, jobs and entire way of life depend upon cheap abundant concentrated energy. Virtually every product and service we use requires energy as a significant input. The idea that a modest increase in the price of fuel will result in a commensurate reduction in consumption with little inconvenience ignores this fundamental reality. The assumption that emission caps will automatically result in the assured development of sufficient affordable alternatives as required is only a hopeful dream.

A decade ago oil was \$20 a barrel. Over the next eight years it tripled in price. The world economy boomed. People continued to buy big automobiles and simply spent more on petrol. Then the increasing demand for oil started to press the limit of available supply. Speculators saw an opportunity to profit from rising prices and bid up oil futures. Over the next six months the price doubled again. Suddenly it was no longer just a question of having to pay a bit more for petrol. Affordability began to have an impact. Transportation companies found themselves in trouble, Food prices increased steeply. Sales of large cars collapsed. Consumers spending plummeted. Long daily commutes from outer suburbs became uneconomic and their real estate sales plummeted. Job losses escalated and struggling mortgagees began to default. Then the whole vast house of (credit) cards and a credit based economy began to collapse.

Although much attention has been paid the role of excessive credit, derivatives and lax regulation in the current recession, virtually nothing has even been mentioned with regard to the role of oil price in triggering the whole thing. When demand for oil fell taking speculation and price with it, oil price and supply were quickly forgotten. It is as if they were really only temporary problems that are now past. In reality they are not only a looming threat to recovery, the situation with regard to future supply has worsened considerably.

Regardless of how much oil may be out there somewhere in the ground awaiting discovery, large, easy to find, easy to produce, high quality deposits are not being found despite great advances in exploration capability. What is being found is increasingly remote, difficult and expensive to produce. Over the past thirty years less new oil has been discovered each year than what is consumed. Known reserves are decreasing. Production by the major exporting nations is almost all static or decreasing while their own domestic demand is increasing Only Nigeria and Angola are still in expanding development. Much of remaining known reserves is heavy oil, not the light sweet crude which almost all existing refineries have been built to process.

Global demand is increasingly being met from new marginal production and non conventional sources such as oil sands. These sources have high costs and are only economic at high prices. With the fall in prices most development in this area has been put on hold or cancelled. Whenever demand increases again a lengthy period of tight supply and steep price increases is in the pipeline.

Modest price increases imposed by attempts to control carbon emissions can be expected to have little effect on fuel consumption if affordable to consumers and a catastrophic effect on the entire economy if they are not affordable.

Supply and demand dictate that alternative sources of energy must be developed irrespective of climate change. How successful this will be is far less certain. Without a major breakthrough in controlled fusion or some unimagined development in the nether world of advanced theoretical physics, it seems most likely that our future energy will come from a diversity of sources and will simply not be as cheap or abundant as we now enjoy. Unless we become many fewer we will have to live much more frugally.

Trucks, tractors, trains, ships and planes are not going to run on batteries. Cars will, but large increases in electrical generation will be required. Even then, the global supply of lithium necessary for advanced batteries would require large new supplies which may or may not be found. Without all these machines, our food supply and the transport system essential to our entire economy cannot function. Large scale development of alternative energy, even if successful, will require decades and will be expensive. To achieve it will strain even a healthy economy and that will require a continued supply of cheap abundant energy. Fortunately for Australia this is entirely doable but it will require ongoing use of our abundant coal and natural gas.

Setting out to make energy expensive and scarce is a recipe for disaster. However, the most probable real world outcome is simply that economic consequences of the AGW mania will soon result in a change in government and policy. This will especially be true if climate itself remains unchanging or is even cooling.

Regardless of the most fervent opinion by the most esteemed experts, global climate is a highly complex and poorly understood phenomenon. Evidence that anything unusual is going on is at best highly equivocal. Politics has been defined as the art of the possible. Certainly, maintaining office is the *sine qua non*. One of the most amazing things about AGW is the willingness of hard nosed politicians to bet everything on some highly uncertain predictions by otherwise unknown academics whose entire careers, status, positions and funding are overwhelmingly dependant on the promotion of AGW as a dire threat.. This is all the more remarkable when none of these predictions has ever been verified and several have already proved to be incorrect.

In addition to the political and economic risks of carbon controls, there is a very real question of whether they will result in an effective solution. Government grants tend to promote problems rather than solving them. Research funded to investigate a problem has a vested interest in the problem. It rarely finds there isn't one or discovers a simple effective solution. Almost always it finds more research is needed. Subsidies have a long track record of fostering costly ineffective industries which stifle development of more efficient solutions.

The most certain and cost effective way of ensuring future energy supplies this would be to implement 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 become the global leader in new energy, the Saudi Arabia of a post petroleum world. Any loss to government revenue from such tax largess could be expected to be made up many times over in increased revenues from PAYE taxes, GST and the flow-on effect throughout the economy.

Another major impediment to success is bureaucracy and especially the eco-bureaucracy. A recent report from the U.S. is mind boggling in the current context. The Bureau of Land Management which manages federal government lands is sitting on a backlog of 470 applications for renewable energy projects. This includes 158 solar power projects totaling 97 Gigawatts or enough for about 3 million homes. However, no permits have been approved because of environmental concerns and multiple approval processes for different agencies with overlapping jurisdictions. The situation here is little different in this respect.

We simply can no longer afford the burden of a bloated unaccountable bureaucracy stifling productivity nor can we continue to pander to the delusions of green non-producers. The bureaucracy will have to be pruned and made accountable for positive results. Ever increasing management budgets which result only in ever decreasing production and profitability is a travesty of the very concept of management. The one sure easy way to improved outcomes would be to index management budgets, employment and salaries to the production and profitability of the sector for which they are responsible.

If government won't impose accountability, severe recession will. Adding more and more ill-conceived restrictions onto our productive sector is economic self abuse. It is time that positive outcomes be required, not just meaningless eco-waffle. It is also time that real evidence be demanded of researchers, not just unsupported claims by a chorus of "experts" singing for their supper. Above all, it is past time for the public to realise that we are all paying the price of gross resource mismanagement in our cost of living, our health, our freedom and in the broader well being of the nation.

Over the current recession, government of all stripes has repeatedly demonstrated that they are clueless as to the nature of the real economic problems confronting us or what to do about them. Only the productive sector can create the products, services and real jobs necessary to prosperity. Government has no solution. It has become a major element of the problem. The productive sector is going to have to put together a clear reform agenda and go over the heads of government directly to the electorate. A year ago this would have been impossible to do; but, people are now worried about their mortgages, their jobs and the escalating cost of food. They are ready to listen to well reasoned solutions. The time is right.