

23 July, 2004

Reflections on Energy and Energy Policy

Ray Evans*

There are many theories concerning the timing and extent of the Industrial Revolution – why it took place in the British Isles in the period 1750-1850 – but the development of that period which changed human life more than any other, was the invention and development of the steam engine, which for the first time in human history provided mechanical power which was not animal (including human) driven, or wind or water driven.

Steam engines were used first for pumping water from mines, and then in providing mechanical power for textile mills – hitherto driven by water power. Stevenson designed a steam engine which could be used as a locomotive for railway transport, and so the railway boom took off, and canals, which had provided enormous economic stimulus to the British economy of the mid to late 18th century, were superseded by the new transport technology.

Electricity did not make an appearance until the end of the 19th century, but as a means of transporting power, and providing, heating, lighting, and mechanical power, wherever transmission lines could reach, it seemed to the people of that time to be miraculous in its beneficence. Lenin observed that communism was socialism plus electricity, and politicians of the Edwardian era were keen to supplant the infant privately-owned electricity supply industry, with government owned utilities. In most Australian states, the industry has been returned to the private sector, but the regulatory burden is increasing rather than diminishing, and now the Commonwealth has gotten into the regulatory game, most notably with the Renewable Energy (Electricity) Act and its companion Renewable Energy (Electricity) (Charge) Act 2000. This legislation has resulted in a new rent-seeking industry, the windmill industry, which locates giant wind mills on coast lines and other relatively high wind locations such as strategic hilltops and saddles, and other beauty spots. These windmills then produce electricity according to the random inclinations of the wind, and since the output of these devices is entirely unpredictable, the commercial value of the electricity they produce is close to zero. For every 100 MW of windmills that are installed, 80 MW of conventional thermal or hydro power is required as back-up. But the windmills, by legislative fiat, have pride of place in the generation queue. Their output has to be consumed, and paid for, at premium rates.

The cost to the electricity consumer of these behemoths is now approaching half a billion dollars annually and if the windmill programme continues, will reach a billion with 4-5 years.

For Australia, a country with the most competitive coal industry in the world, this is economic lunacy. To try to return to pre-Industrial Revolution technology - wind mills – and at the same time seek to shut down the cheapest coal based electricity in the world, is a manifestation of religious zeal, and it is now evident that for the Greens in particular, energy has acquired mystical overtones. Saving energy has assumed theological rather than mere economic importance; the more energy we save, the more likely it is that we will enter whatever Green Heaven Bob Brown has in store for us when we topple off this mortal coil. The Ten Commandments have been reduced to One – Thou shalt not consume any more energy than is necessary, and what is necessary shall be defined by the Green theologians.

This concern for saving energy goes much further than mere frugality and, as an example, economic rationality was discarded by the Victorian Government with its new housing regulations which came into effect on July 1 last. New houses in Victoria will cost on average an extra \$20,000 in order to ensure that energy consumption is reduced to Scroogeian levels. The Carr Government has outbid the Bracks Government in that its new regulations will apply to renovations and extensions.

The payback period for this extra cost will be at least 25 years. This is a no-brainer of the first order, but if anyone has complained they have had no coverage. Even the Housing Industry Association, which has been at the forefront of agitation on the issue of housing affordability for the rising generation of Australians, was noticeably silent.

This strange obsession with energy consumption has been linked to greenhouse gases and global warming. The bizarre belief that we can modify or even control the world's climate by emitting less (or even zero) carbon dioxide into the atmosphere shows that the transition from sorcery to science is more difficult than might appear. In South Australia, a century ago, farmers were encouraged to settle beyond the Goyder Line in the belief that "rain followed the plough". Rain-making dances and ceremonies were an important part of the tribal elders' repertoire in Central Australia and in other arid parts of the world. There is a long history of belief in mankind's ability to control the climate, but the geological evidence of nearly a million years of ice age conditions, interspersed by ten relatively brief periods (5,000 - 20,000 years) of warm interglacials, makes it clear that until we understand, and can predict with confidence, when the current interglacial (now extant for some 12,000 years) will end, and the next ice age will descend upon us, all the chatter, some of it quite hysterical, about anthropogenic carbon dioxide, is anthropogenic nonsense.

The Howard Government has refused to ratify Kyoto, but claims to be meeting the Kyoto targets of 108 percent of 1990 emissions by 2010. A proposal for a carbon tax was put to cabinet by former Environment Minister David Kemp and Treasurer Peter Costello, but was fortunately, rejected by the Prime Minister. We have the Renewable Energy Acts of 2,000, but fortunately the MRET target was not increased in the recent review and policy statement.

At the centre of the global warming debate is the Intergovernmental Panel on Climate Change, the IPCC. When government ministers are quizzed on the deep contradictions of government policy concerning Kyoto they fall back on the authority of the IPCC and its claims to represent "scientific consensus" on the greenhouse effect and global warming. That authority is now crumbling. The Mann Hockey Stick, a graph which purported to show that global temperatures had declined gradually from 1000 AD until 1900 AD, (the handle of the ice hockey stick) and then rose abruptly from 1900 AD to 2000 AD (the blade) has run into serious trouble with a corrigendum published in Nature on July 1 last. This graph provided the backdrop to the Shanghai press conference in January 2001 when the IPCC launched its Third Assessment Report and has been used by the IPCC openly and subliminally ever since.

The Russian Academy of Sciences has also taken to the IPCC with a big stick and the exchanges are now to be found on a myriad of web sites, including the Lavoisier website. Ian Castles and David Henderson have shown that the economic statistics with respect to developing countries which underpin the projections of anthropogenic carbon dioxide for the 21st century are indefensible. And so, bit by bit, the IPCC's global warming story is coming

apart. The final comment is from Australian climatologist William Kininmonth, director of the Australian National Climate Centre from 1986 till 1998.

“The IPCC 'radiation forcing' hypothesis is based on flat-earth physics and does not recognise the importance of the seasonal variation of solar radiation. As a consequence, not only are the roles of the atmospheric and ocean circulations ignored but the computer models grossly underestimate the vast energy transfer between the equatorial and polar regions of the earth. Local temperatures derived by computer models, and their projections with greenhouse gas forcing, do not represent realistic physical processes.”

If Mark Latham becomes Prime Minister, Australia will, as he has promised, ratify Kyoto and a serious regime of carbon withdrawal will then be implemented with Peter Garrett driving the decarbonisation cart. The economic dislocation which will follow will be profound; the Latham Government will not survive its first election; and presumably a new Coalition Government will then have to unwind a lot of damage. If, contrariwise, Howard wins, the dynamics of succession may lead to carbon withdrawal policy becoming a dividing issue for leadership aspirants.

* Secretary of the Lavoisier Group