

Energy Brief

Is there a need for a global energy strategy?

Malcolm Wicks, **Minister of State for Energy** - Discusses the case for nuclear in the UK and how this will fit into a global energy strategy

Campbell Dunford, **CEO, Renewable Energy Foundation** - Looks at a global approach to the energy challenge

Chandan Roy, **Director Operations, NTPC Limited India** - On Indian engagement with climate change initiatives

Richard Dennis, **Director Research and Development, Doosan Babcock** - On a global energy strategy from an R&D perspective

Ian Hore-Lacy, **Director of Public Communications, World Nuclear Association** - Outlines the global prospects for nuclear power

Nigel Yaxley, **Managing Director, Coallmp (Association of UK Coal Importers)** - Considers how coal fits into the global energy picture



Doosan Babcock Energy

A global approach to the energy challenge

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States cooperate when there is a clear external threat or a perceived advantage. Climate change is a plausible danger, and world leaders have found it expedient to alarm their populations with Doomsday scenarios shackled to energy, providing an industrial sector to vilify and an economic activity to tax. Ideal. However, the diffuse and distant risks of anthropogenic global warming are rapidly losing political value in the face of competition for sufficient and secure energy, the abundant provision of which is the defining measure of economic progress and social wellbeing. If energy is restricted, then resources will be hoarded or used to immediate advantage; cooperation is unnecessary.

Fossil fuels will dominate our future, and even vast investment in renewables and nuclear will do little to change this, but the bulk of hydrocarbons are in states that increasingly consume these resources domestically or can afford to eke them out against inexorably rising prices. Those economies that have the fastest rising populations or the fastest expanding economies, China, India, Indonesia, Russia, Iran, also have fossil fuels, and are unlikely to reduce consumption or share their resources on other than solid economic principles. Russia, as ever, is more direct than most:

“Energy must not be a barrier to our comfort. Our emerging middle class demands lots of energy and it is our job to ensure comfortable supply. We don’t plan to limit the use of fuel for our industries. We don’t think this would be right.”

Vsevolod Gavrillov, head of Russia’s Kyoto team, 28.04.08

Similarly, by 2020 China may be using 11,000 TWh of electricity annually (Zhang Guobao, Vice Minister of National Development, China Daily – 19.10.04), and is already cornering coal and gas on world markets. The IEA predicts that with 7% annual economic growth India and China will build almost 800 GW of new coal-fired generation by 2015 (the UK has 75 GW in total).

Of course, gas has been regarded as a counterweight to restricted markets, but there is no medium term reason to support this view. Russia, as Gazprom, has manoeuvred to

ensure that through bilateral agreements it will retain control over the movement of its own gas, and that of others. Gazprom has agreements with, inter alia, Algeria, Libya, and Nigeria. Qatar seems to be approaching a plateau, and has switched contracts away from the West to Asian markets, and Norway has told the UK that it is not a priority customer. This relentlessly shifting balance is now attracting comment. Michael Morris, the CEO of American Electric Power, noted this month that the USA consumes 22 trillion cubic feet (tcf) of gas annually but produces only 18 tcf: “Without Canada we would be entirely upside down on gas”. Further, in Morris’s view, the United States is unlikely to prevail in global markets for LNG: “I don’t see us winning the battle with China and Japan on LNG”. The UK’s position is still worse, and in the face of consummate Russian diplomacy, the EU’s collaborations on energy supplies (the Nabucco pipeline) have been shredded in a round of beggar thy neighbour.

Clearly, an effective co-ordinated approach to energy only emerges when risk, reward, and national interests coincide. In nuclear fission a disciplined market has been maintained for half a century, but is now fast fragmenting, force majeure. Nuclear fusion remains a beacon of international scientific cooperation, but commercial application is a generation away and cannot be much accelerated.

Further opportunities for stable relationships are few in number and slender in scope. The clean use of coal could encourage technology-based collaboration across boundaries, not only for carbon-dioxide capture and sequestration, but also the reduction of other pollutants with a more immediately local effect. Renewables, in spite of political overselling and unrealistic and counterproductive targets, do offer reasons for hope, in Europe at least, where greatly enhanced grid connection between states might optimise the timing of surpluses. However, the costs will be very large, and the benefits modest in scale.

Overall, then, the geopolitical outlook for a co-ordinated energy strategy is exceptionally bleak. However, as the storm gathers, the rationale for co-operation becomes stronger. Whether this can be more than regional, and whether it will remain peaceful, is open to doubt.

