

WILLIAM RAMSAY

Senior Advisor of the Center for Energy, Ifri; former Deputy Executive Director, International Energy Agency (IEA), former US Ambassador in Brazzaville

A recent publication by the IEA outlines the current state of the world energy sector. Fossil fuel consumption continues to rise, nuclear power has suffered in the OECD after Fukushima, but will grow elsewhere, efficiency opportunities continue unexploited everywhere, energy prices remain high except for gas in the US, CO₂ emissions continue to increase, energy subsidies have reached new highs and poverty continues unabated. The IEA projects an unsustainable energy future on current trends.

Multiple studies and strategy documents outline the steps necessary to alter our course to put the world on a sustainable path. They are well understood by technicians and politicians alike, but there is a failure of governance. The necessary decisions are not being taken, populations are not empowering democratically chosen solutions and the current depressed economic environment is aggravating an already bad situation.

Radically different approaches appear necessary if we are to interrupt our long march to an unsustainable future.

Energy policies are formulated to achieve a number of objectives. But too often these are not mutually reinforcing and are often contradictory. Efforts to stimulate industrial activity or raise employment generally need heavy subsidization and divert resources from other activities. They will often squeeze out socially driven energy policies or those oriented to promoting regional development. Some energy policies merely satisfy political mandates. But none of these motivations addresses sustainability, greenhouse gas reductions or promoting lower carbon sources of energy.

National energy policies are developed to serve national purposes and generally fail to take into consideration the regional consequences of national decisions. The EU specifically leaves the choice of energy mix to individual Member States. But the European energy market and its grids cannot function efficiently divided up into nearly thirty parts.

At an international level, after 24 years of negotiations, the most elemental of compromises has yet to be found. Developing countries argue that the current accumulations of CO₂ in the atmosphere and the resulting momentum in global warming have been caused by industrial or post industrial countries and it is their responsibility to clean up the mess. Industrialized and post industrial countries argue that emerging and developing countries' emissions will soon surpass industrialized countries in both accumulations and rates putting the onus on them to restrain emissions.

Emerging countries argue that at some point in the future, mankind's emissions per capita must somehow converge on a sustainable level - the notion of "emissions equity". Developed countries recognize that the trajectories of emissions from developing countries must allow for development, but reject trying to negotiate "emissions equity".

Developing countries face huge challenges of urbanization where hundreds of millions of people living in rural conditions, using traditional biomass, will move to cities onto gas and power grids and into the transport and residential sectors.

Efficiency is obviously part of the answer, but it is not enough. Renewable energies hold great promise for the future, but they are currently hampered by high costs and intermittency. No power grids anywhere are adequately adapted to rapidly increasing volumes of electricity from renewable energies. Renewable energies will need carefully calibrated stimuli to reach their full potential.

Basically, the challenge is to sharply weaken the link between economic growth and higher energy consumption – but how? Countries review greenhouse gas abatement strategies with an eye to economic competitiveness. They will not adopt strategies that will put them at a competitive disadvantage vis a vis their trading partners.



The US legislative effort called the Waxman/Markey bill, which contemplated a cap-and-trade mechanism, would have created a border equalization tax for carbon in imports from countries without similar measures. The EU created a European Emissions Trading System, but allocated free emissions authorizations to sectors requiring a competitive boost. Collectively, we have not found a way to put a price on carbon, short of talk about a carbon tax which has a disproportionate impact on the poor of the world. Countries at the climate change negotiations posture with competing long term emissions targets – none of which are substantiated by credible domestic policies to achieve them.

There are promises of up to \$100 billion of financing for mitigation efforts among developing countries, but recent COP 18 talks in Doha make clear that the promises are hollow – especially if financing in the third world would have an impact on donors' competitiveness.

Where does shale gas fit into this equation? It is clearly a game changer with significant market and probable strategic implications. In some measure, shale gas is here to stay. It will not remain limited to the US. Other countries with shale gas potential will weigh the risks and benefits by their own standards, but many will proceed.

Shale gas will arbitrage out the price differential between cost-based gas and oil-indexed gas. It is only a matter of time. The lower global price of gas will make many frontier projects uneconomic – particularly in Russia where the Russians will experience the cumulative effect of lower gas sales, lower prices, falling productivity and green field gas opportunities too expensive for the market. President Putin will need to review his strategic use of gas policy and gas revenues for geopolitical purposes.

Growing US fossil fuel autonomy will raise the question among some of whether the US will continue to have interest in the monarchies of the Gulf. Most believe US interests in the Gulf will abide notwithstanding.

Growing Asian interest in Gulf oil will increase substantially the strategic links between these regions while the US "Asian Pivot" will reflect growing US strategic interests in the Pacific. Asian anxiety about the nature of the emerging China will be defined initially by how China approaches its territorial disputes with Japan, the Philippines and Vietnam in the South China Sea. China may ultimately see advantage in the US "pivot" where broader superpower interests may operate to manage local brush fires.

But these geopolitical phenomena in Russia, the Gulf and the Pacific are manageable. What remains as yet unmanaged is the failure to come to grips with climate change and to achieve a consensus on how countries can collectively meet the challenge.

Here, there is a basic failure of global governance and a lack of institutional context. COP 18 has proven again that the inclusive UN mechanism will not work by itself. It is essential for hearing everyone's views, but it will not achieve a consensual strategy. Other forums regularly put climate change on their agendas, but all defer to the UNFCCC process. It is time to review that strategy.

In the waning years of the Bush administration, the Major Economies Forum was created. It included countries responsible for the vast majority of global emissions, but numbered only 17. It does not mirror the G 20, but there are many intersections. Which of these forums would be the better is unclear, but in any case, a consensus is more likely among 17 or 20 countries than 193 countries and 17,000 delegates.

But before seeking a consensus among 17 or 20, there is still a core issue that can probably only be resolved between China and the US. There must be agreement on the differentiation between the trajectories to sustainability of emissions from developed countries versus those from developing/emerging nations. This does not require a G2, but recognizes the centrality of the US and China to reaching that core understanding.

Perhaps achieving that core understanding will ease the policy-making process in our various countries. Democratically elected governments are unable to enact the rigorous measures needed to rise to the challenge of climate change. That is not a failure of democracy – it is Democracy at work until leaders identify a viable strategy. Autocratic governments may have a degree more latitude in making decisions, but not if those decisions violate the contracts they have with their populations. Everyone needs a clear strategic path.



The longer we wait, the more expensive responding to climate change will be for everyone.