Resolving the Conflict: Energy Security vs. the Kyoto/post-2012 Agenda

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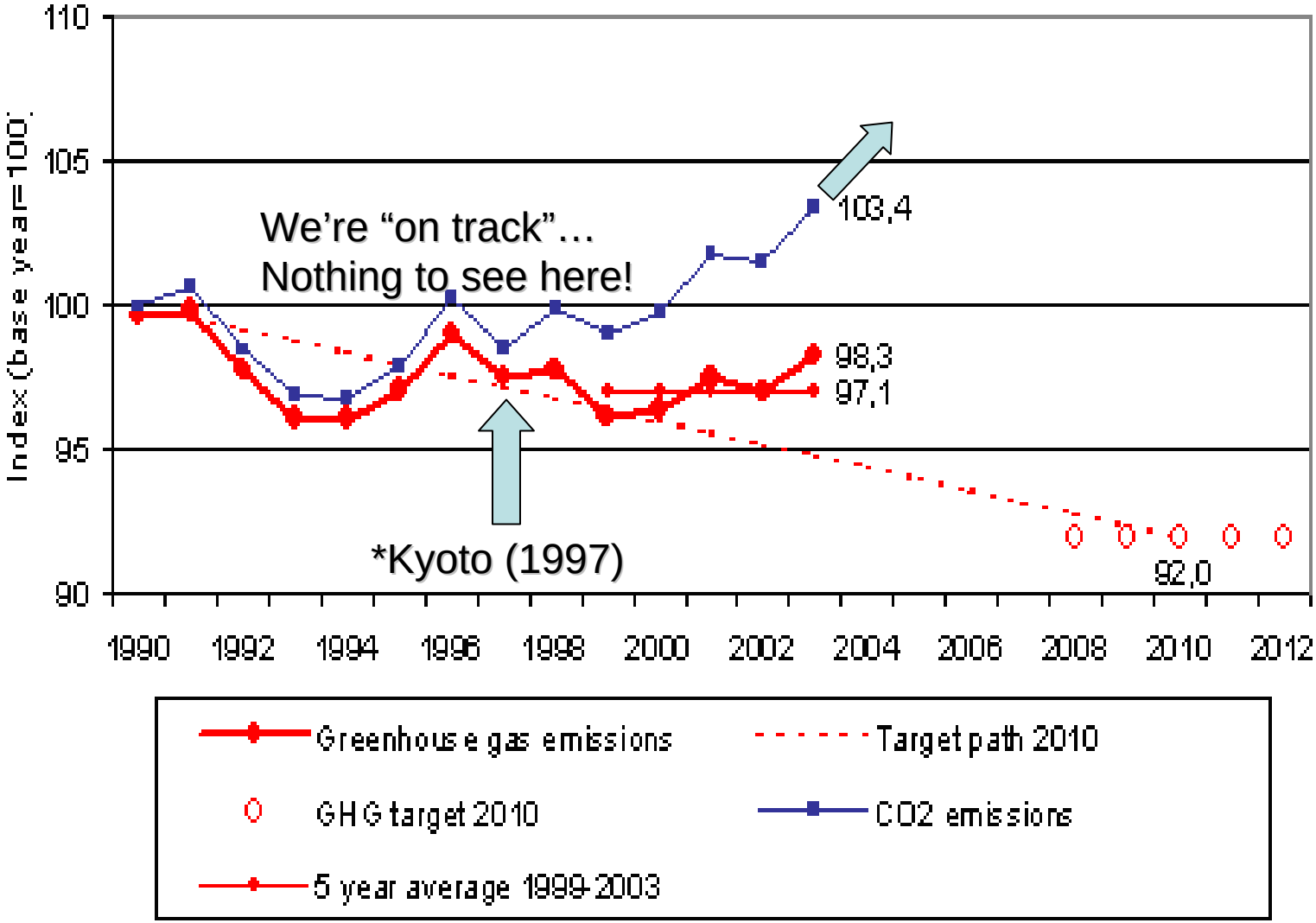
Summary

- The Plan for Poland: greater diversification of energy supply
- As envisioned: less Polish coal (coal to be very expensive under Kyoto)
- Not supportive of more nuclear than planned (Kyoto lobby)
- And much more renewable than is possible ("very ambitious" plan at most optimistic could only avoid well < 10% of projected emissions, per government)

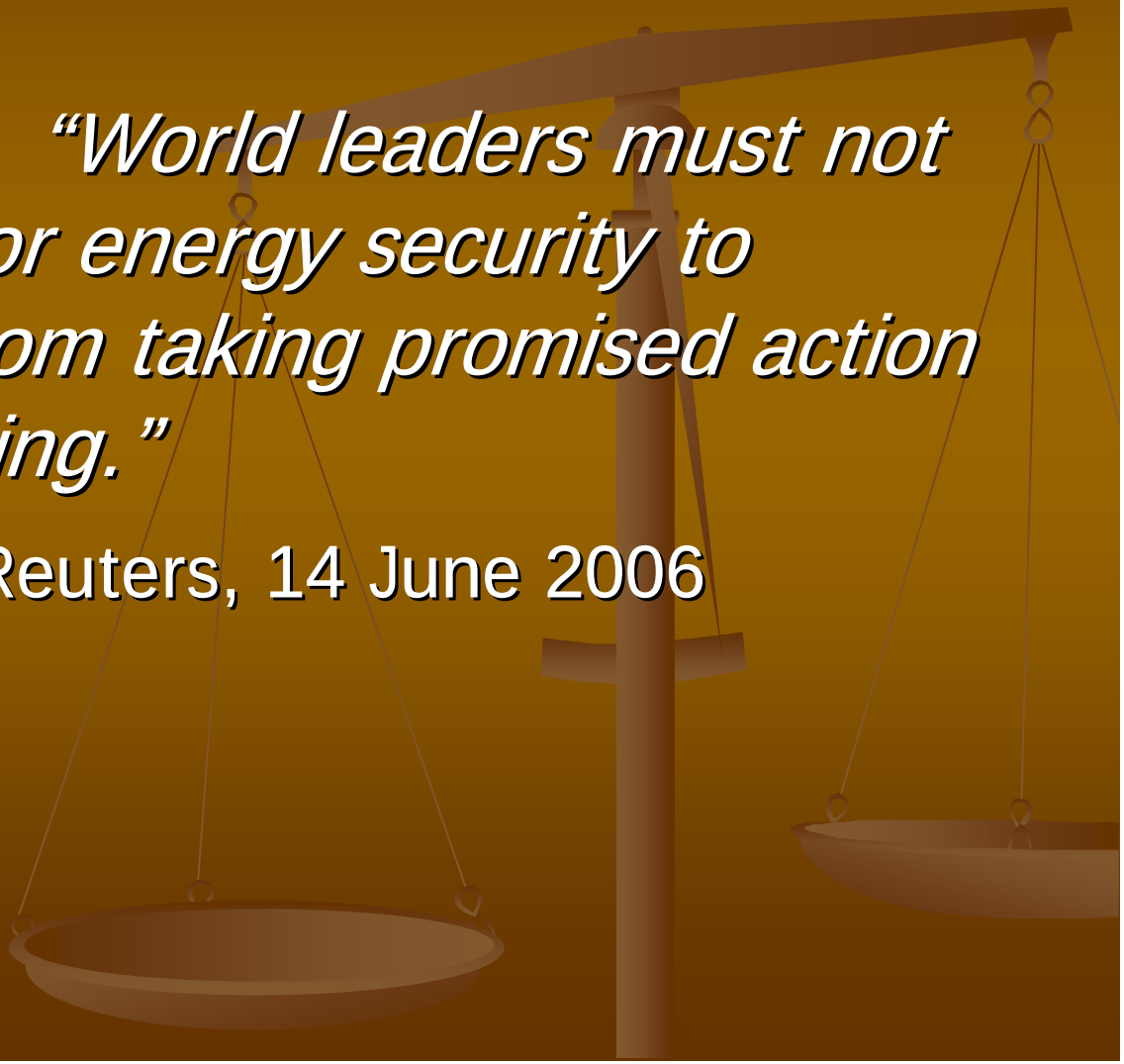
- In short and despite recent events, the post-2012 Kyoto agenda as presently structured by Brussels remains:
  - far greater dependence on foreign gas
- Also likely to pay Russia for GHG credits
- This is contrary to and is incompatible with energy security
- Yet that scheme is already a dead-end

Europe's Kyoto *Performance*, Not Press Releases

CO2 Emissions *Spike* Since Kyoto (like Canada, Japan, *et al*.)



Security is Overrated!



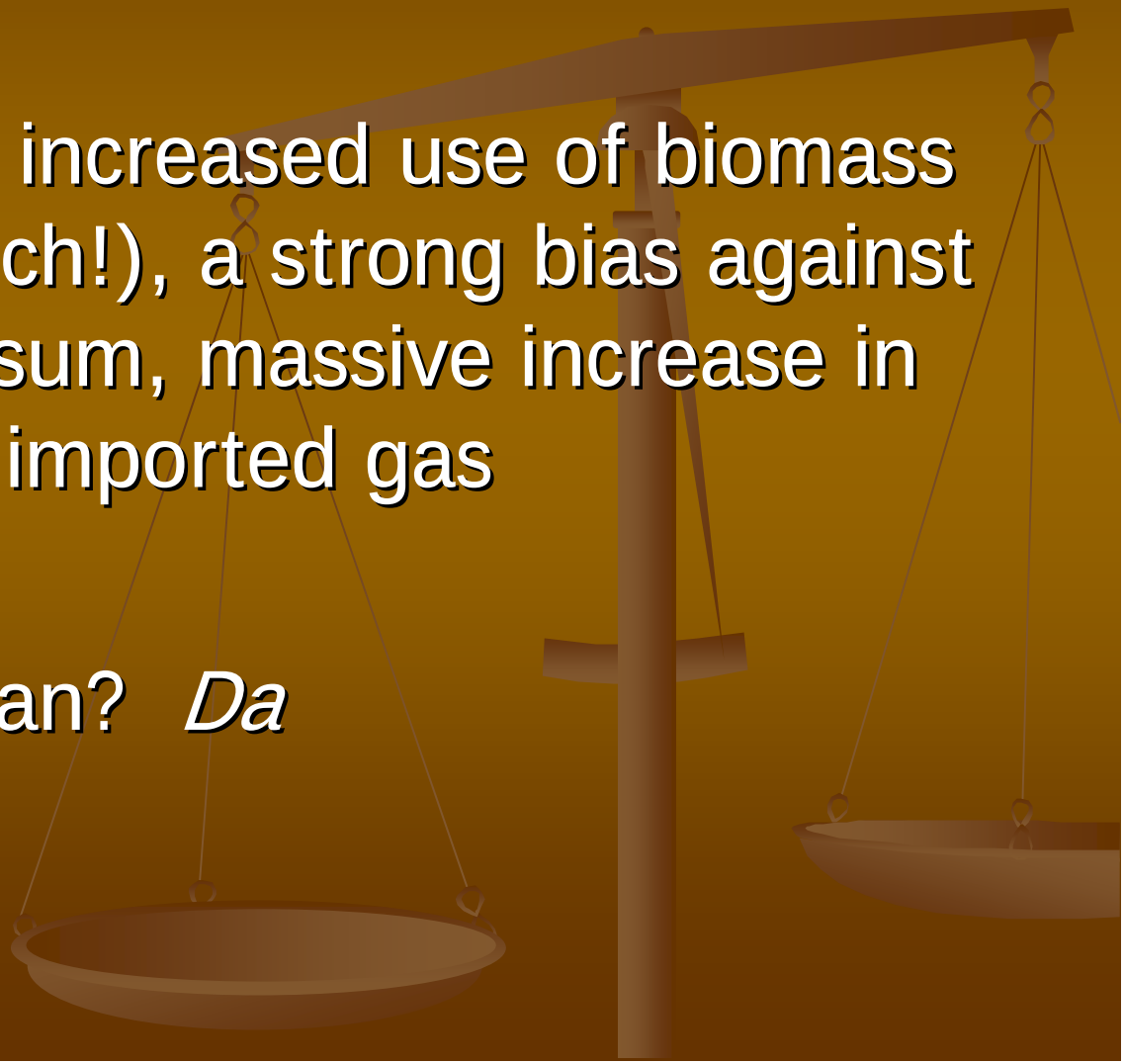
- *Green activists: "World leaders must not allow concern for energy security to distract them from taking promised action on global warming."*

  -- Jeremy Lovell, Reuters, 14 June 2006

What *is* that promised action?

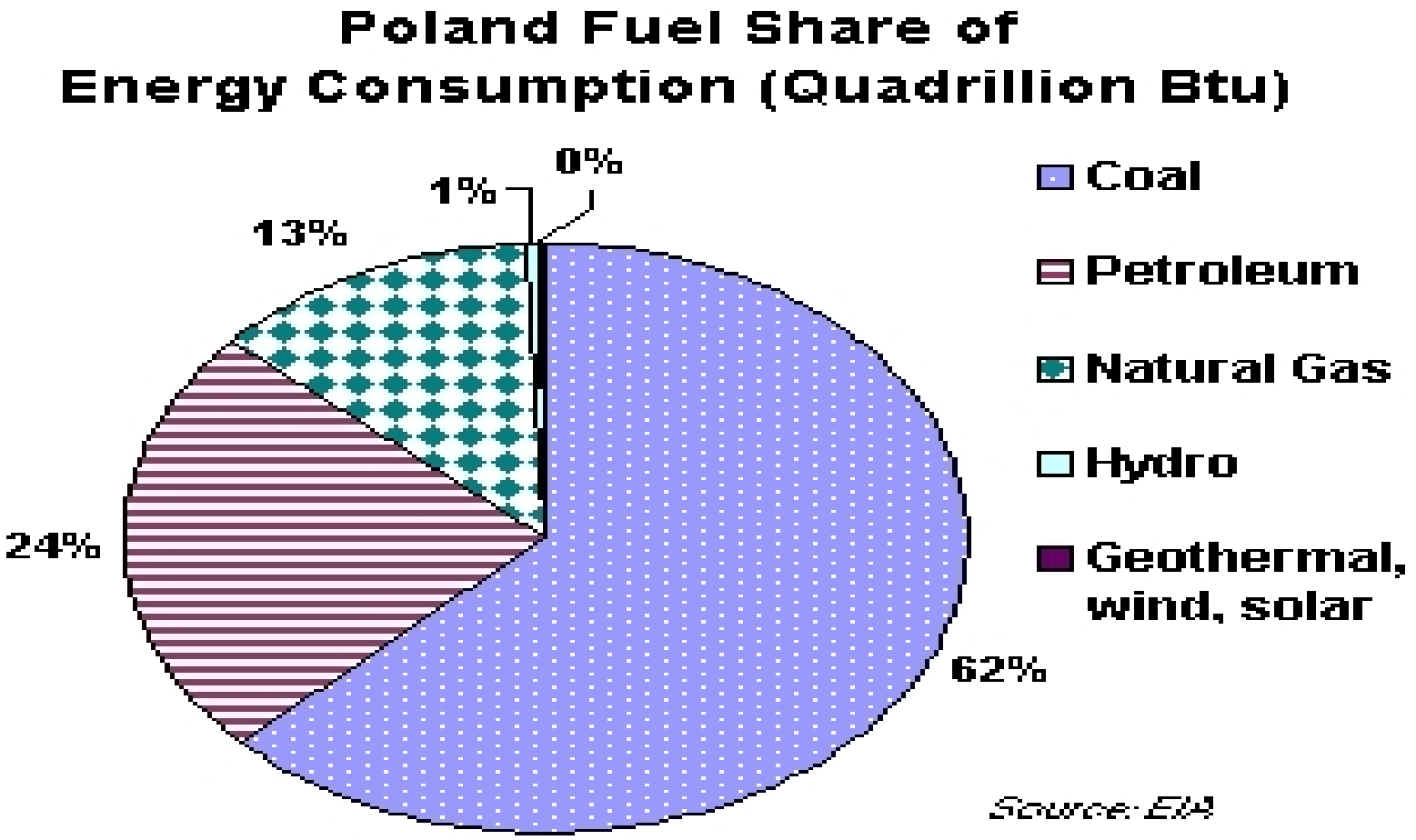
- Coal phase-out, increased use of biomass (but not too much!), a strong bias against nuclear and, in sum, massive increase in dependence on imported gas

- Sounds like a plan? *Da*



Poland's Energy Profile

A Nuclear plant will respond to growth between now and then, but won't replace current supplies
So, where is the security in presently replacing coal? More Kyoto and "Energy Charters" with Russia?

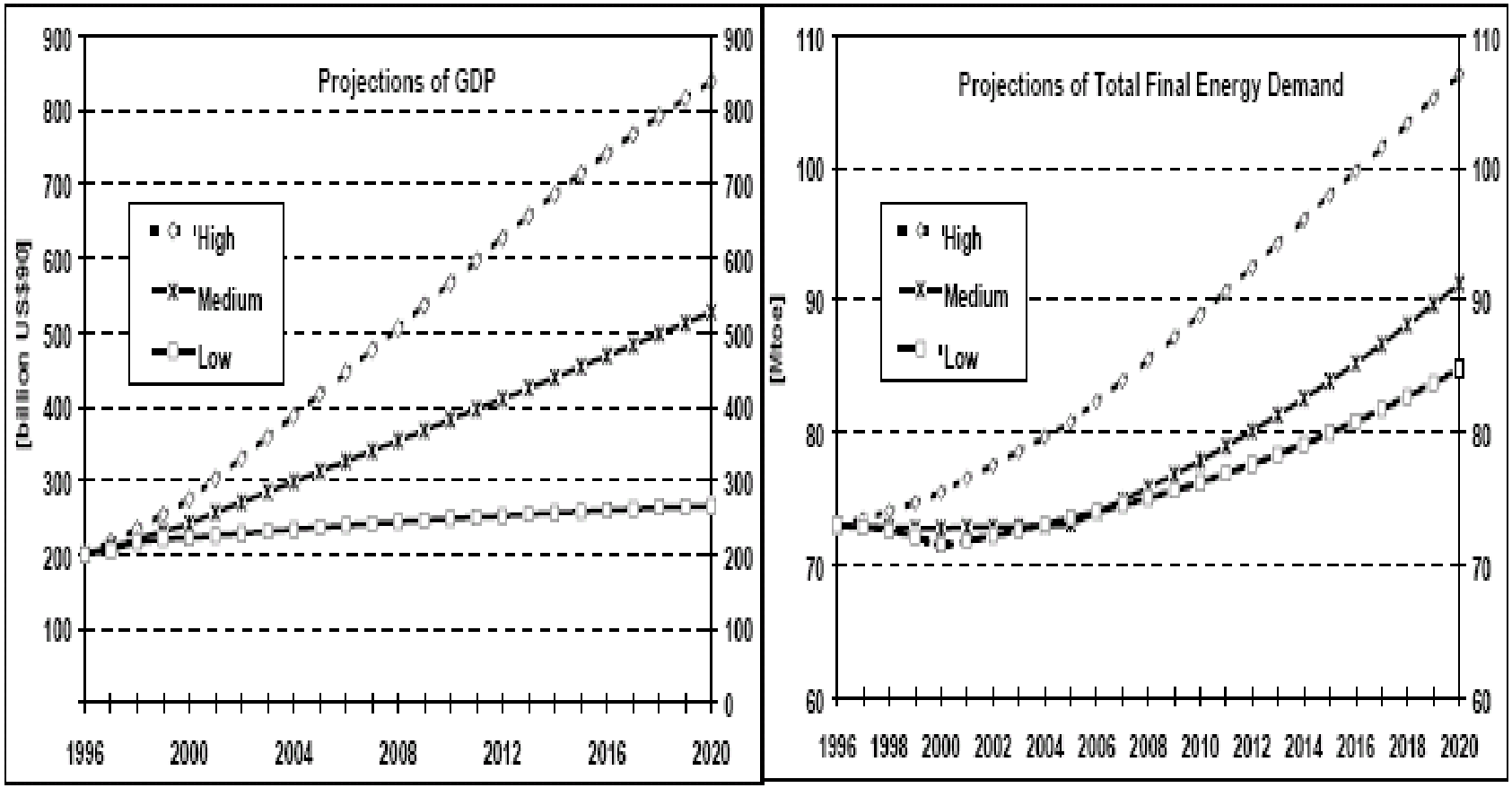


Polish, Global Energy Demand Rising

World Demand Increases up to 300% by 2050

One Reason the Rest of the World Rejects Kyoto Cuts: Energy Security

Figure 7. GDP and total final energy demand forecast.



What is Poland's post-2012 GHG Position?

- In November 2003, Poland vowed 40% GHG reduction below 1988 levels by 2020
- That means real cuts, or wealth transfers
- At 20€ per ton this means transferring to, *e.g.,* Russia *€3,672,000,000 per year (€2,754,000,000 @ 15€)*

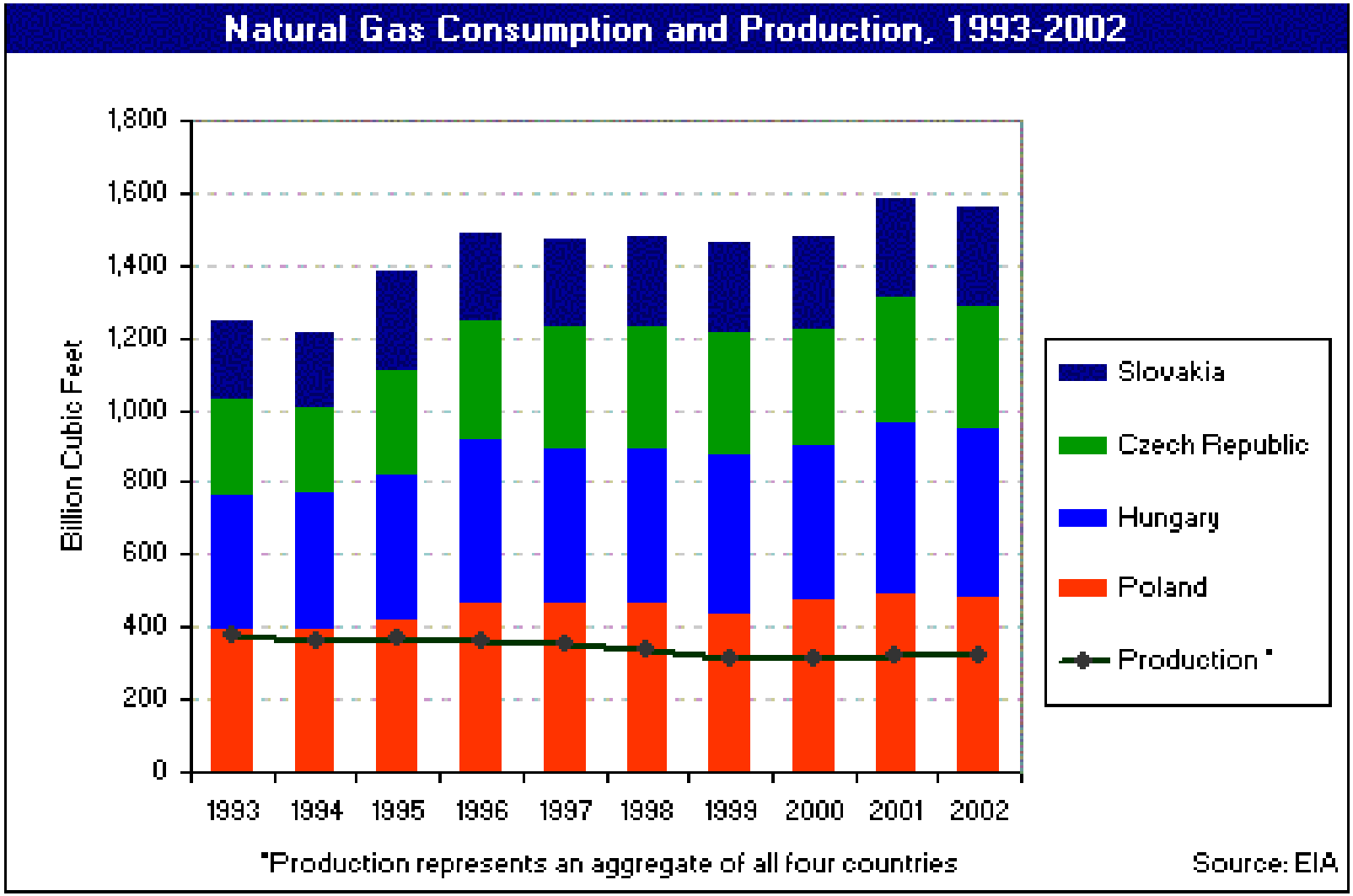
  [425.67 (1988) x .6 = 255.4 - 439 MMT 2020 est = deficit of 183.6 MMT/yr. x. PRICE]
- For no benefit: No new countries are joining
- Even if US involved *and* Kyoto perfectly functioned (neither are realistic): no detectable climate impact
- Meanwhile, vast majority of world moves on

Or, *is* that Poland's Position?

- In March 2005, at European Council of Ministers Poland objected to a lesser, collective EU promise of 15-30% below 1990 levels by 2020
- Meaning...what? Poland makes the world's 2d biggest % reduction promise (40%), but 23 of the other EU-24 need promise much less...while the rest of the world still moves on?
- Or, did Poland's view of the future become clearer with the assistance of Dr. Gazprom at the Putin Clinic?

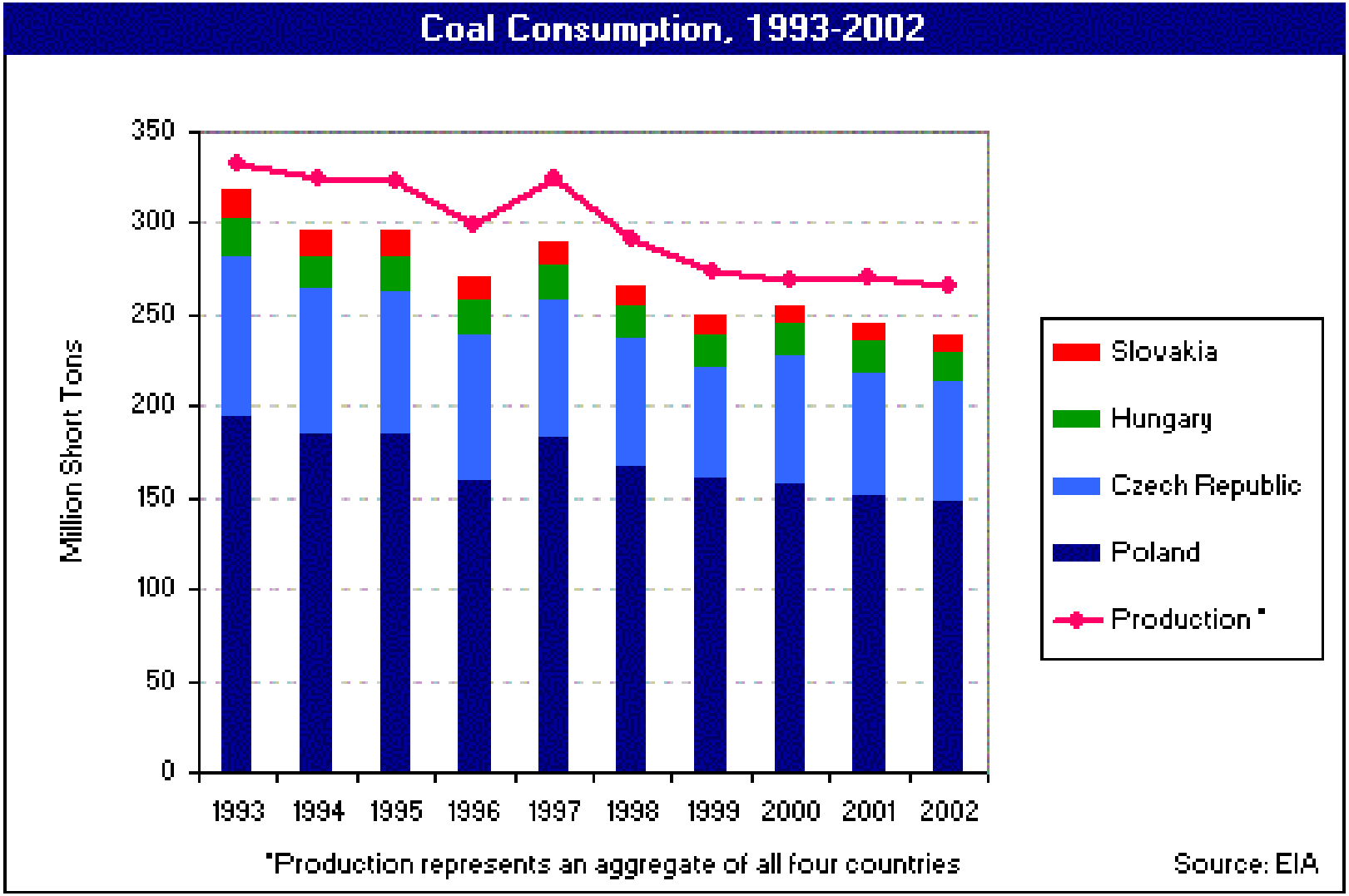
We know post-2012 Kyoto as envisioned means “Imported” gas…

[Global gas *demand* is non-linear due to environment policies, feedstock uses and developing world]



Poland is *already* reducing coal use

Given Poland's economic growth the % reduction is appreciable



With No Economic Security, Who Needs Energy Security?

- “The rising costs of reducing carbon dioxide emissions by smokestack industries may trigger a shift in major investments in such sectors from Europe to countries where carbon controls are less strict, analysts said. ‘In the future, European companies may decide to make big investments abroad, say in Brazil, because Europe is too expensive,’ Michael Grubb, chief economist at the Carbon Trust, a UK thinktank [sic], told a European power conference last week. ‘There is an option of driving energy- intensive industries out of Europe,’ he said on Friday.” --Reuters, 13 June 2006

Science Magazine

November 2002

18 prominent scholars argued in *Science* magazine that assuming the AGW theory is true there is no regulatory solution until revolutionary technological breakthroughs emerge.

They conclude that stabilizing greenhouse gas emissions without seriously damaging the economy is not possible at this time:

"CO2 is a combustion product vital to how civilization is powered."

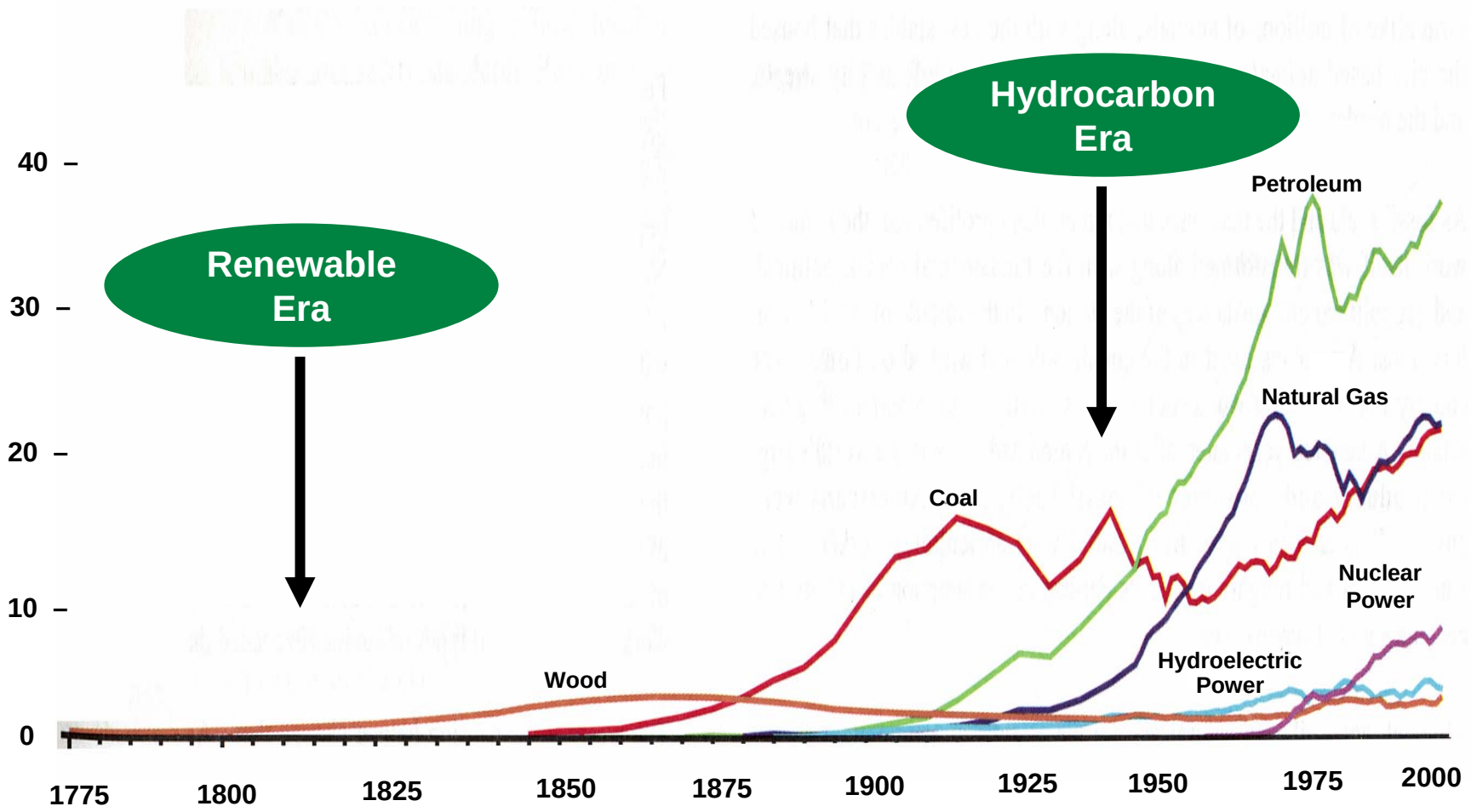
Science, continued…

- “There are no known technological options that exist today. Energy sources that can produce 100 to 300 per cent of present world power without greenhouse emissions do not exist; either operationally or as pilot plants. New technologies will require drastic technological breakthroughs. Carbon dioxide is a combustion product vital to how civilization is powered; it cannot be regulated away. But carbon dioxide stabilization would prevent developing nations from basing their energy supply on fossil fuels.”

Further Practical Considerations

- The Industrial Revolution began with “renewable energy” (largely charcoal from wood, plus wind, solar and hydro), it was swiftly augmented with “non-renewable energy” (coal).
- Only after non-renewable sources became viable to run the economy did economic progress explode.
- There is nothing wrong with renewables but they are a diffuse energy source. Other than nuclear there are as yet no equivalent high-concentrate energy sources.
- Until this changes, a nation is poorly advised to force itself off of hydrocarbons.
- Of course, history also *proves* that from an environmental viewpoint, the nation would do better by allowing its citizens to create wealth and knowledge also.

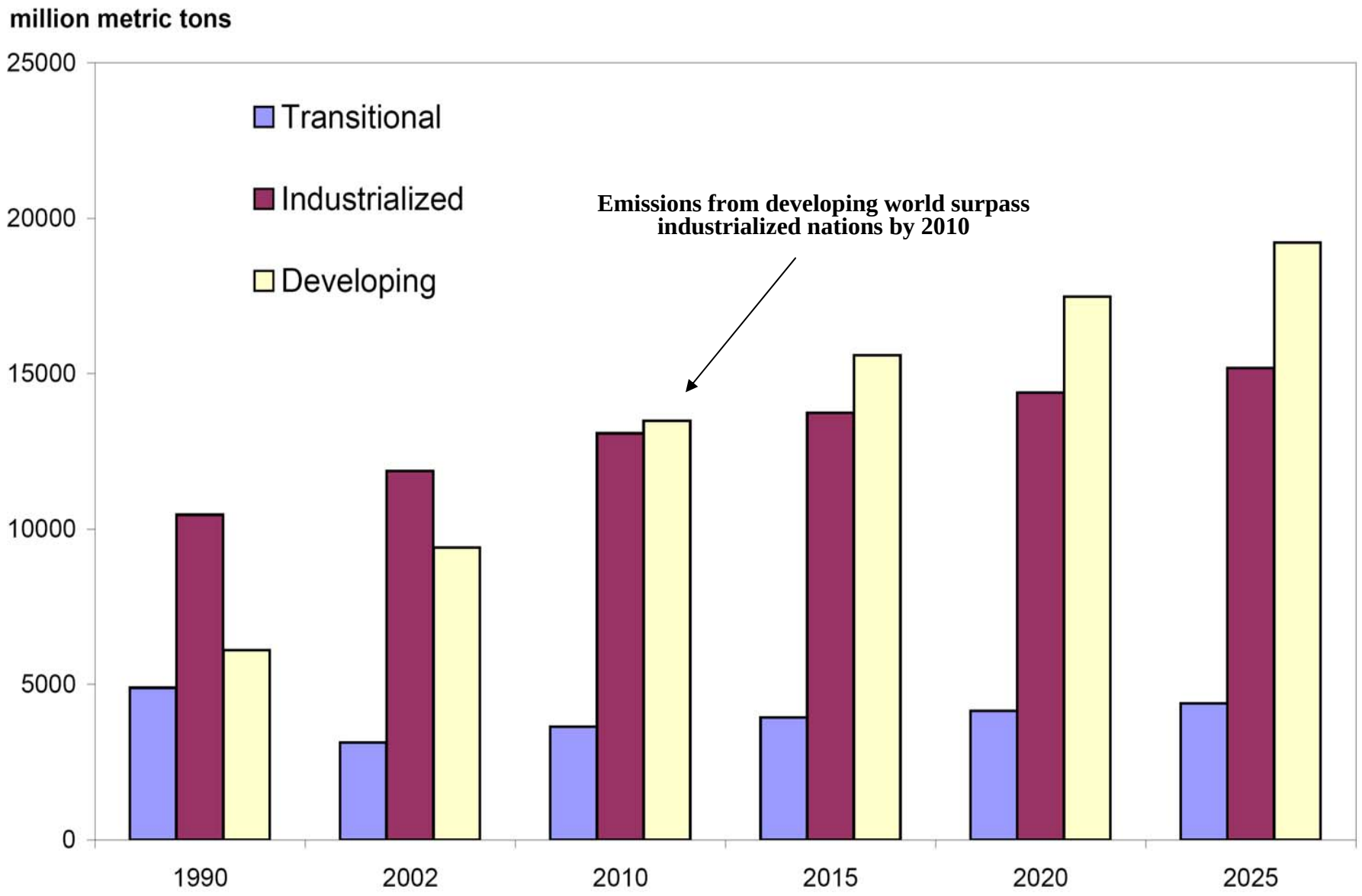
U.S. Energy Consumption: 1775-2000



Source: U.S. Energy Information Administration

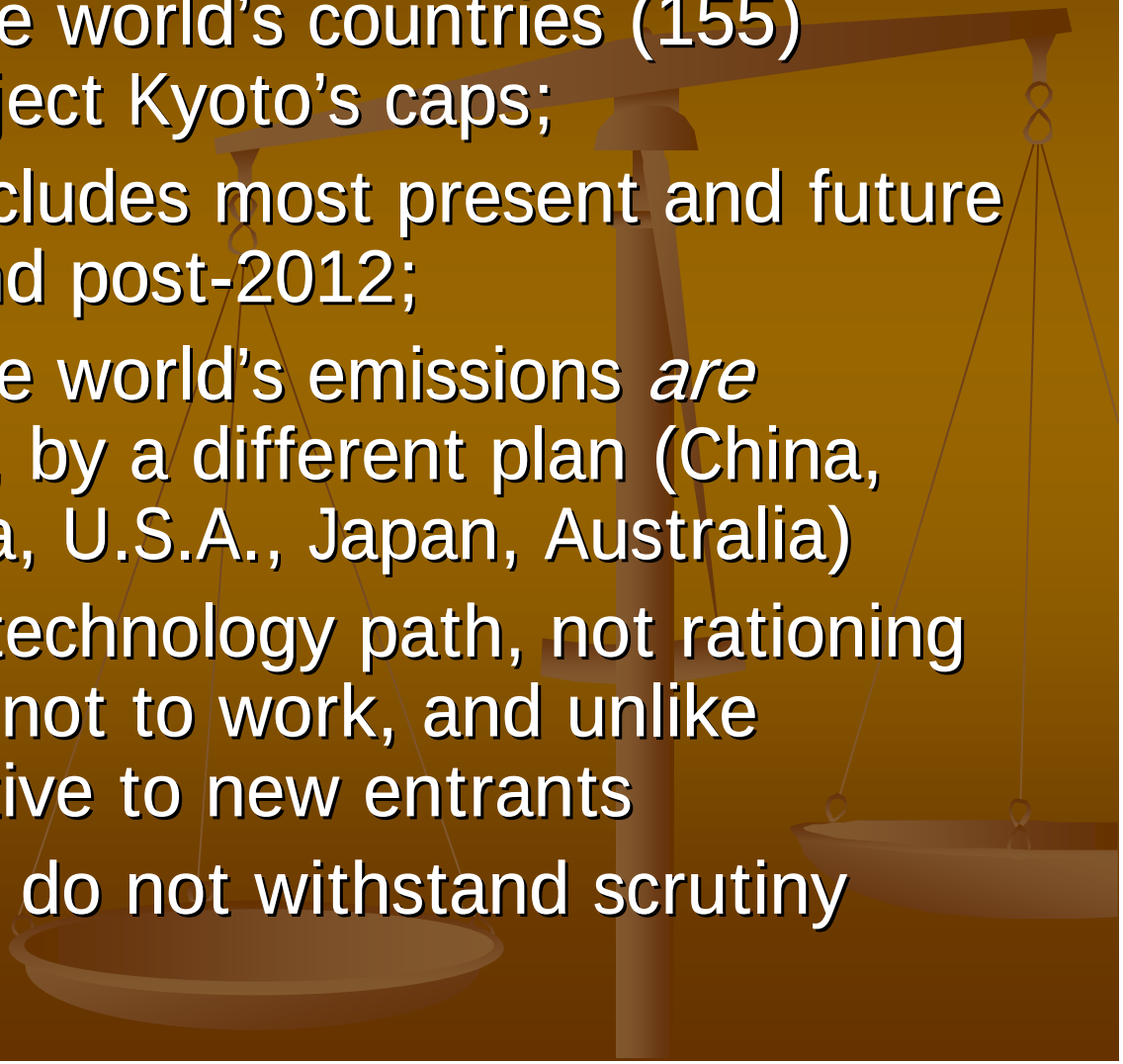
World Carbon Dioxide Emissions by Region

Source: Energy Information Administration, International Energy Outlook, 2005



There is a Plan B

- The majority of the world's countries (155) unambiguously reject Kyoto's caps;
- As such, Kyoto excludes most present and future emissions, now and post-2012;
- The majority of the world's emissions *are presently covered*, by a different plan (China, India, South Korea, U.S.A., Japan, Australia)
- It focuses on the technology path, not rationing which has proven not to work, and unlike rationing is attractive to new entrants
- Objections to pact do not withstand scrutiny



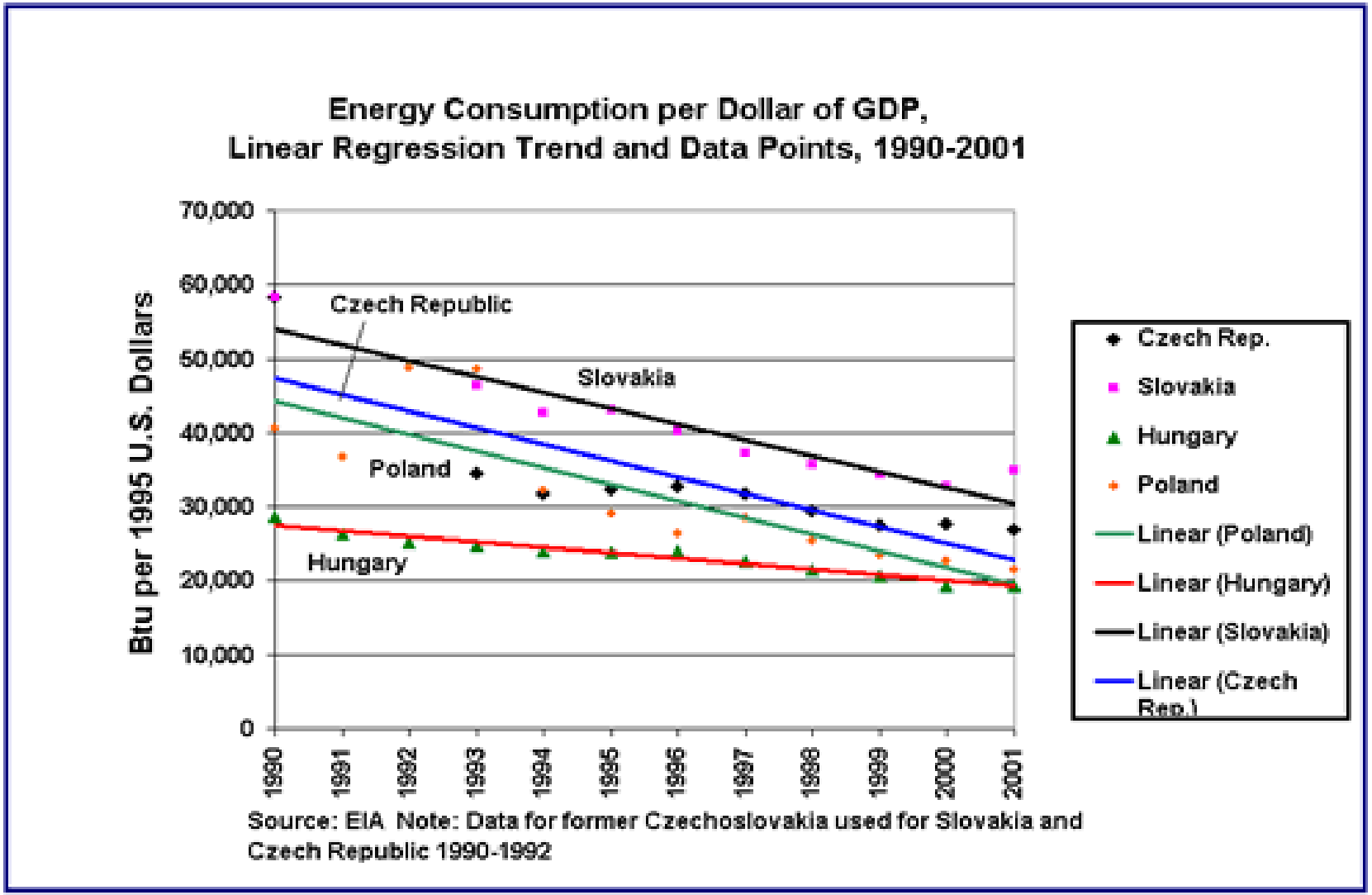
Significance

Six Asia-Pacific Pact Partners in 2003 accounted for:

- 64.7% of World GDP (MER)
- 49.8% of World GDP (PPP)
- 45.2% of World Population
- 51.0% of World Total Primary Energy Consumption
- 49.4% of World CO2 Emissions from the Fossil Fuel Consumption and Flaring
- 64.5% of World Coal Production
- 63.6% of World Coal Consumption
- 45.6% of World Petroleum Consumption
- 55.6% of World Net Conventional Thermal Electricity Generation
- 49.3% of World Total Net Electricity Generation
- 30.1% of World Dry Natural Gas Consumption

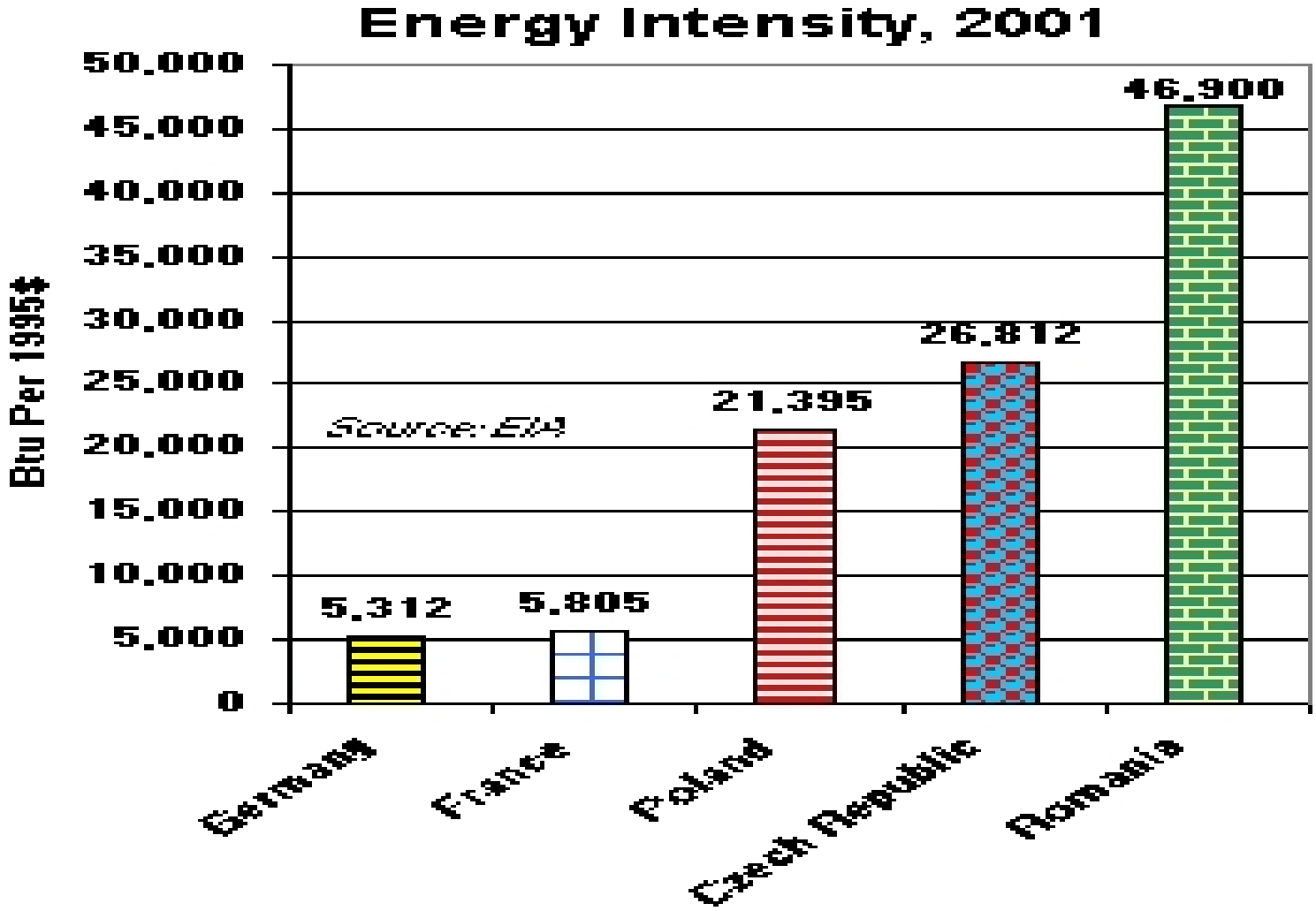
Source: Energy Information Administration, *International Energy Annual 2003*

Poland is already pursuing Plan B



Poland is well-positioned for Plan B

Poland's emissions will continue to increase, but their *intensity* is a good standard for improvement



Things you rarely hear…
but must remember

- EU-15 emissions have *increased* since Kyoto, and twice as fast as, *e.g.*, America's
- Despite rhetoric, Europe is not "on track" to reduce emissions as promised; it can only try and buy its way to compliance (once)
- This is despite (actually because) the US economy is growing robustly while Europe's stagnates
- America's energy intensity is also improving faster than Europe's
- This is because a strong economy, not rationing or name-calling, improves GHG performance
- Alternately, as was proved, there is economic collapse as the one proven way to reduce GHGs

Conclusion

- Europe and a dozen other countries have agreed to Kyoto, 2008-2012; that will proceed, and is not the issue
- Europe's emissions are *rising*, not falling
- The issue is what, if anything, a *post-2012* pact looks like
- No one new is joining, so will be no new credit sources
- In any post-2012 period, Poland must shift from selling GHG credits to buying them from, *e.g.,* Russia
- Present Kyoto scheme is incompatible with growth
- Present Kyoto scheme is incompatible with energy security
- For post-2012, seek a globally acceptable path: intensity, technology- or sector-specific standards
- Otherwise the current dynamic will continue...nowhere