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Black Gold: A Series On Oil

Will the Third World Show the Way with Renewables? - Andrew Simms

For years the superpower politics of the Cold War blocked efforts to end global poverty. Today it is the hot war of energy economics and global warming that present an impossible obstacle. They also threaten something far worse—a great reversal of human progress.

We know that climate change already affects the poorest people in the poorest countries. We also know that from Nigeria, to the Middle East and Latin America the extractive industries leave behind them a wake of corruption and conflict. But now there is another big problem.

A consensus is growing that we are living on the cusp of the so-called Hubbert Peak of oil production. If so, it means that the current oil price spikes are just the first tremors of an impending earthquake at the far end of the economic Richter scale. The point at which global oil production peaks and begins its long, slow decline coincides with endlessly rising demand. The result? Global economic chaos.

Following the 1979 oil price shock, rich countries' fear of inflation created a triple blow for their poorer relations: falling demand, export price collapses, and sky high real interest rates which laid the foundations of a massive debt crisis. Bad as it was, there were ways out then that, today, due to climate change and the Hubbert Peak, will no longer be available.

Fossil fuels collectively account for about four-fifths of the global primary energy supply. Oil makes up over 40% of our energy consumption. Without intervention, the International Energy Agency (IEA) predicts, 'a future in which energy use continues to grow inexorably (and) fossil fuels continue to dominate the energy mix.'

Subsidies Support Fossil Fuel Economy

But the dominance of fossil fuel energy is not a natural state. It's largely the consequence of massive subsidies poured into coal, oil and gas, and the failure to internalize the cost of the environmental damage they cause. Good estimates put the global scale of subsidies at a minimum of \$235 billion. The share of energy research money going into renewables stood at just over 8% after the 1970s oil shocks and, as awareness of climate change grew through the 1990s, it fell to just over 7%. As recently as 2003, fossil fuel projects represented 86% of the

World Bank's spending on energy, and renewables just 14%.

Absurd Situation

The situation is absurd because renewable energy potential is super-abundant. It provides a triple win for human development and an exit strategy from the multiple downers of fossil fuel addiction. Currently, renewables account for about 13% of energy supply globally: although the cleanest forms of solar, wind, geothermal and tidal account for less than a quarter of that.

Renewables, however, have the potential to meet all human energy needs. Small and medium scale applications are particularly well-placed to improve the lives of the 1.6 billion people globally who have no access to electricity, four-fifths of whom live in rural areas often remote from ailing national grids. The theoretical potential of the major clean renewable sources is over two million times greater than current use. Even the more limited technical potential means we could increase uptake by a factor of 120.

And renewable energy technologies are much more than mere potential, as last year's set of Ashden Trust *Awards for Sustainable Energy* demonstrated. From saving the sight and lungs of urban street traders and home cooks by using solar lanterns and eco-stoves, to solar-powering communication systems for flying doctors, to getting electricity to remote mountain and island communities, renewables are already delivering human well-being in some of the most difficult circumstances. Renewables also inoculate against the economic, environmental and political shocks linked to fossil fuels.

One major obstacle remains, however, to the mainstream uptake of renewable energy in the developing world where they attract only 1-3% of energy investment. Highly polluting fuels like brown coal are plentiful and still cheap. A global framework with major incentives is needed to encourage the shift and forego growing dependence on oil and coal.

For the evolution to happen there has to be a managed withdrawal from fossil fuels that gives developing countries their logical, equal per capita slice of the remaining carbon cake that it is still safe to burn. Being able to trade unused entitlements under such a framework, termed 'contraction and convergence' by the Global Commons Institute, will also

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Reprint from ISLAND TIDES, July 14, 2005, Page 2

generate necessary income for development. Without it, the sense of historical injustice about rich countries' ecological debts will derail the dawn of renewables.

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foundation). This article first appeared in the British Guardian newspaper and is reprinted with permission. Simms' report 'The Price of Power' is published by nef, visit www.neweconomics.org. 

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