Money doesn’t grow on trees

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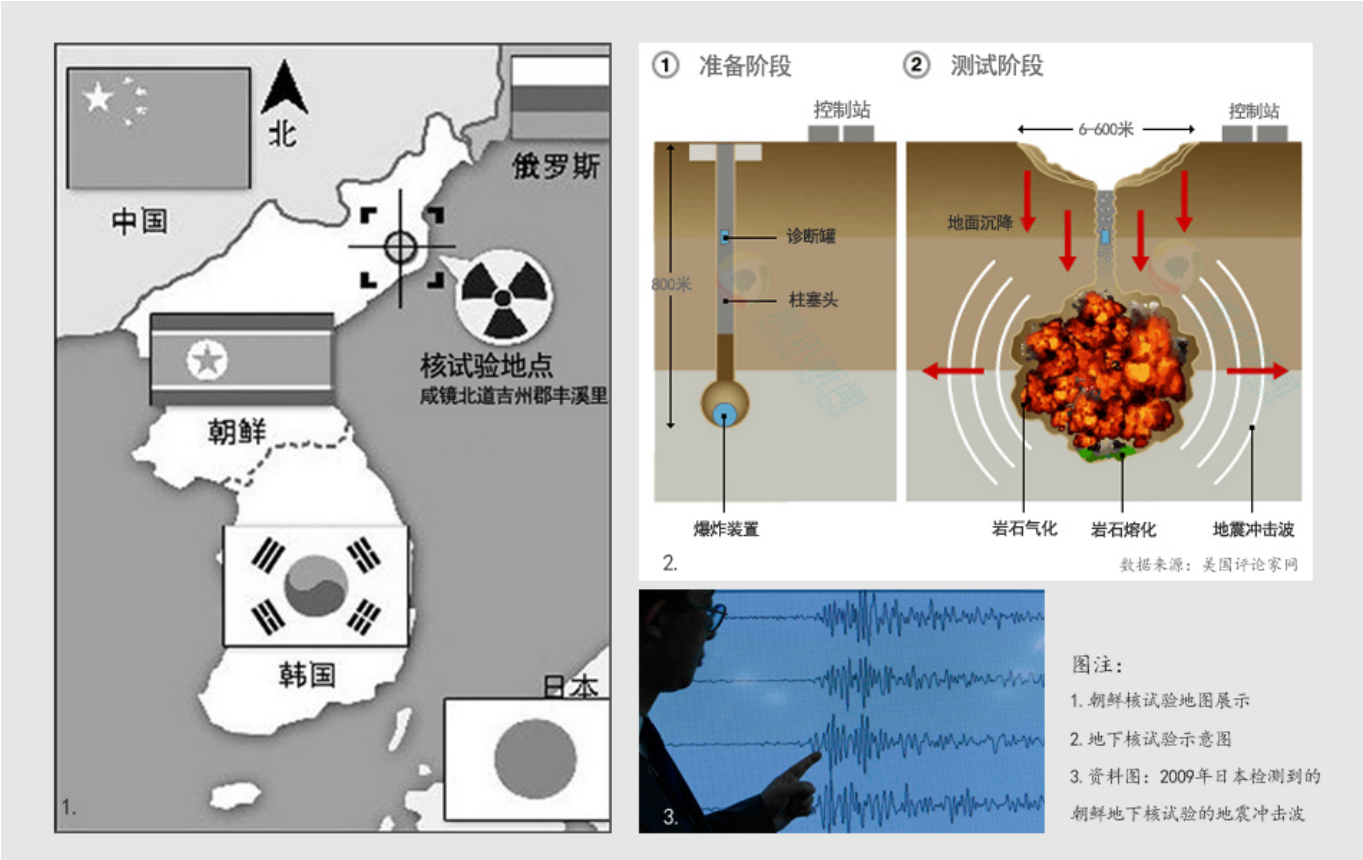

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Last week’s news alert mentioned that some renewable energies – wind and solar PV – had

experienced phenomenal growth that was considered beyond imagination a decade ago. With public subsidies, direct consumer payments (Germany) and low-cost commercial finance, the industry couldn't ask for more. Could it? But the party may be over, at least in the rich countries. Rich countries see a macro-economic paradox of near-free debt and slow growth, in turn meaning slow tax revenues and limited political appetite for more subsidies for renewable energy. Instead of sequestering carbon, the US these days is obsessed with sequestering public sector staff, from defense to airport security. Over the longer term, the burden of entitlement benefits to the growing population of the aged gets higher, and even if low interest rates make it easier to incur deficits and raise the debt, debt repayment will become a serious problem if economic growth and tax revenues do not pick up. Greenpeace can raise funds by scare scenarios and bake sales, governments cannot. Anti-fossil fuel fundamentalists might argue that government subsidies for the renewable energies should continue, because the prices are going down and will go down further, and faster at expanded scales. The c-Si solar PV prices have declined 80% since 2008, and Steven Chu, the former US Secretary of Energy, is predicting that "grid parity"- being able to sell bulk power from renewable energy competitively with the alternatives – is at hand. The FCCC is such a relic of Cold War era politics and neat post-World War II pre-globalization days when Annex I countries and "developing countries" could be separated and international environmental obligations be staged in terms of "you go first" diplomacy, the lower-income countries being paid the "agreed incremental costs" of doing anything they otherwise would not have an economic justification for. That model worked for the Montreal Protocol, where rich-country tax-payers paid the private companies in CFC production or use to pre-mature retirement of their equipment which they would have done anyway by the time the CFC limits became binding. (Some of the same companies got more money again under the Kyoto Protocol Clean Development Mechanism to retire the production of CFC-substitutes that are also global warming pollutants, but deceptive marketing of environmental gains is a cottage industry of its own.) Rather, the paradox is that the world has changed in terms of economic power and fossil CO_2 emissions, with old assumptions and expectations seriously in need of re-haul. Given that climate change is a multi-decadal, multi-centurial problem, is it really possible to use the international short-term agreements such as the Kyoto Protocol to make countries do anything that they would not otherwise consider in their best interests anyway (unless, so far, they also happened to be part of an economic bloc such as the EU)? Long-term commitments are also dubious, since the balance of economic power and distribution of emissions could change unexpectedly. Combating climate change at the cost of national security? Securing the future for great grand children at the expense of today's workers and retirees? Is the war against global warming a cover for an age war, a class war, a trade war, driven by the propaganda that every molecule of CO2 is a weapon of mass destruction? Time for a Plan B on climate change? Depends on whose money speaks louder. Get ready for 2014 COP. - Nikhil Desai, Energy Security contributor

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