

Amid global energy chaos, uncertainties grow

Geopolitical turmoil, rising prices and the climate crisis are leading to a desperate situation - 04.04.22

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The world of energy production is rapidly sinking into total confusion.

Solutions abound for the rocketing price of fuels, the threats to energy security, the huge inflationary effects and the deep economic harm. But unfortunately most of them conflict, leaving hopeless division and misunderstanding between short-term and immediate expedients necessary for survival, and long-term needs to avert climate catastrophe.

The United Kingdom, to take one example, is now deeply stuck in this quagmire, with near political desperation in the search for amelioration of an unparalleled rise in energy costs for both home and industry, together with growing threats to basic national security. This comes alongside growing apprehension that all the efforts to cut carbon to net zero may well fail anyway to halt the inexorable world rise in greenhouse gases.

Of course, the U.K. is far from being alone. Different countries face the crisis in different ways, depending on where they start from. For instance, most of Europe, which has become accustomed to feeding on Russian oil and gas for over 40% of its daily requirements, now confronts the need to find sources elsewhere, thanks to the Ukraine nightmare — sending oil and gas prices spinning still higher.

The United States, although itself not in any way short of fossil fuels, is caught deep in the dilemma between President Biden's priority carbon-cutting vision and the now urgent need to quickly open up his country's enormous shale oil and gas potential. He also faces even bigger pressure to export extra gas to Europe to replace the tainted Russian supplies, and has already promised a small initial amount to Germany, price undisclosed.

So, as for other leaders, when for Biden's America does the urgent overtake the important? Which priority prevails?

There is nowhere that escapes the impact of this dilemma. China is forced to turn back to even greater coal reliance, as well as outright closure of bigger power consumers. Japan's import bill for oil and gas soars, inflated while the bulk of its

large once mighty nuclear (and low carbon) capacity remains closed, leading to increased official urgings to use less power and warnings of actual power cuts.

By contrast, the U.K., having let its once large nuclear power fleet capacity dwindle through sheer age, is now coming forward with ambitious replacement plans, but mostly of course far too late to affect the present crisis.

Instead, having drifted into an unwisely large reliance on burning gas for electricity, and even unwiser lack of gas storage provision, the U.K.'s misguided planners have set the system up for a vertical price take-off when things go wrong in the overall supply system, as they usually do and has they have now done.

This time the disruptions have arrived all on top of each other.

First, the wind stopped blowing in the North Sea, as it always does from time to time, with power from the U.K.'s now large renewables sector plummeting. Then LNG tankers began being rerouted in mid-voyage to the highest bidders in Asia, with global gas market spot prices going crazy and sending gas import prices through the roof, wherever they came from.

Meanwhile the other big back-up resource, low carbon nuclear electricity, that might have been a fallback, had been allowed to run right down, as noted above. Coal-burning power stations were being closed anyway, amid a chorus of nodding approval, while U.K. and American oil companies were being told by their investors to invest no more, and pay higher windfall taxes instead, thus passing the oil market ball straight back to OPEC — with memories of 20th century oil shocks forgotten.

Both Western and Chinese pressures have now been turned on Saudi Arabia and other Gulf States to pump a few more million barrels a day of oil from their extensive spare production capacity. That would directly ease things (although with much disapproval from the greens). So far the OPEC leaders have sounded unhelpful, although their minds could change when they realize the consequences and also understand that sky high current crude costs damage producers as much as consumers.

And all the while, the well-intentioned advice pours in from climate crusaders, just to push on faster with ridding the world of fossil fuels in the hope that somehow all these ugly problems will go away.

But however obvious and noble this goal sounds, in practice the call for greater haste and faster energy transition is the worst possible advice right now.

As obvious as it may be, in fact the need is for the most careful and skilled management of all energy markets and supply and demand balances at every stage. Lose that balance and you get, as is the case now, impossible price spikes, painful cost-of-living inflation such as with food prices and almost all other staples, economic disruption, shortages and real suffering amongst millions of households and businesses.

In something as complex and sensitive as a modern power grid, disruptions will always happen, whether man-made or natural. There has to be a diversity of energy sources and a robust system of alternatives and back-ups at all times. Whatever the

primary power source, fossil or renewable, we are moving fast into an all-electric world.

The estimate is that by 2050 the world will require twelve times the electric power than is now being generated. However much demand growth is assuaged by declining oil intensity (more output per barrel), increased efficiency and insulation, strong conservation or more localized sources, this is the inevitable and unavoidable trend.

In this situation, the last thing needed is a hurried advance toward the new green vision without taking into account all these enormous problems along the way, which can trip things up fatally.

For modern nations, primary energy supplies are not just one more important commodity. They are the lifeline of national existence. Cut that line, even for a moment, and you can be certain of deep political instability, followed by violence and social collapse. The happier and calmer waters of a decarbonized world are never reached, and the colossal world task of transforming the energy system upon which the entire modern industrial system has been based for almost two hundred years comes to a grinding halt.

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