

Mark Lewis – Contribution to GBF conference on “Energy for the Future”

"With over 50% of the world's population now living in cities and this figure set to continue rising over coming decades, it is increasingly vital that central and city governments worldwide develop policies designed to improve energy demand in metropolitan areas. This is a large part of the demand-side equation to solving the related problems of depleting fossil-fuel reserves and climate change.

At the same time, there is also much to be done on the supply side of the equation, and this, above all, means developing policies that will reduce both the amount of energy consumed for a given level of industrial and economic output, and the carbon intensity of the energy consumed in the industrial-production process.

On both sides of this equation, then, governments have a crucial role to play, and the tools at their disposal range from carrots (subsidies and other economic incentives), and sticks (regulation of one kind or another, from market mechanisms to direct command-and-control measures). Most important of all, however, is the educative role of governments, as if the world's citizens -- particularly those already enjoying highly energy and carbon-intensive lifestyles in the developed world -- are going to make the behavioural changes that will be vital to enabling the world to move onto a long-term low-carbon trajectory, they will have to be better informed.

Indeed, in many cases it is as much a question of re-educating citizens as educating them in the first place. To take one obvious example, we must all learn to reconsider what a subsidy is, especially in the context of renewable energy.

In conventional economic terms, a subsidy is a payment made to incentivise the production of a good or service that would not otherwise be made available owing to the fact that it would be too expensive to produce. In this respect, sceptics often argue that it is a waste of time and money to subsidize wind energy, say, when coal and gas are much cheaper fuel sources for large-scale power generation. However, such an argument completely misses the point concerning what we now know about the impact of burning coal and gas on the environment. Indeed, based on what we now know about this impact, it is more accurate to say that coal and gas have been subsidized for the last 200 years, as the cost of burning them was calculated without any account being taken of their environmental impact. By putting a price on the carbon emissions generated by burning coal and gas in the EU since 2005, the EU has ended the environmental subsidy that these fuels have had in the past, and thereby made renewable energy more competitive.

That said, there is, of course, an upfront economic cost to be paid in moving to a low-carbon world, and the challenge for governments is to explain that vouchsafing the birthright of future generations to a clean and sustainable environment and ecosystem makes this a price well worth paying."