



Portland Market Report

REDUCING OUR IMPACT ON THE ENVIRONMENT SHOULD BE ABOUT USING MULTIPLE BRONZE BULLETS RATHER THAN ONE MYTHICAL SILVER BULLET THAT QUITE FRANKLY DOESN'T EXIST

February update

IN AN ENVIRONMENT OF LOW PRICED OIL AND GAS, IS IT ECONOMICALLY DESIRABLE – OR EVEN POLITICALLY POSSIBLE – FOR ANY GOVERNMENT TO CHAMPION ENERGY SOURCES THAT MAY BE GREEN, BUT ARE MORE EXPENSIVE THAN TRADITIONAL METHODS OF POWER GENERATION?

Certainly historically this has not been the case and a common lament for environmentalists is that the abundance of indigenous fossil fuels in the UK has stunted the development of alternative energies. They point to countries such as Germany with fewer natural resources than Britain, but with a much more developed renewable energy sector. An example of this would be wind power, where Germany generates about five times the amount of electricity from wind farms than does the UK and overall, a whopping 20% of its energy is from renewable resources. This versus a figure of 3% in the UK!

Let's face it – that's a pretty poor show for Team GB, but these comparative figures slightly distort the true picture. Energy in Germany is expensive – much more expensive than in the UK and this is largely because of renewable energy. At the last count, wind power in Germany was costing €0.18 per Kilowatt Hour versus €0.05 – €0.10 when using traditional energy sources (coal, gas, oil). Plus we also shouldn't get carried away by too much German "Greenwash".

Whilst power generation from wind has significantly increased in Germany over the years, so has their use of coal – about 45% of power generation in fact, and mostly from lignite (brown coal) which is the most polluting of all fossil fuels. So whilst the legions of wind turbines might look impressive, Germany has actually increased CO2 emissions faster than any other major economy in Europe (this largely as a result of a booming economy combined with its nuclear closure programme post-Fukushima).

In Britain wind farms remain disproportionately controversial and most of the time, hostility is based on aesthetics

rather than the question of efficient energy generation. This is remiss, because in truth wind farms are not particularly efficient in energy terms and this is largely because electricity cannot be stored. This means that when the wind doesn't blow, no electricity can be generated and there are no electricity reserves to call on. Under such circumstances, back-up power typically comes from fossil fuel power stations and as switching conventional power stations on and off is both costly and environmentally unfriendly (start-up uses significant energy), the result is a double whammy for the environment. Not only do you generate CO2 when the wind doesn't blow (because conventional power stations come into play), but even when it does blow, the back-up power stations have to keep running anyway!

THE RENEWABLES SECTOR FACES A MASSIVE BATTLE TO MAINTAIN BOTH CREDIBILITY AND MARKET SHARE...BUT WE SHOULD NOT GIVE UP ON GREEN ENERGY

Unfortunately the same problem presents itself with solar power, although it must also be said that few countries are less suited to this type of power generation than rainy old Britain. Not to mention the fact that mass solar power requires enormous tracts of unused land – again not one of Britain's strongest cards. Even tidal energy which on the surface seems so eminently suited to Britain's island geography has made few in-roads into the UK's energy infrastructure. This is a shame, but may well be the result of policy makers looking over the Channel to Brittany's "La Rance" tidal dam – the world's biggest tidal power station, built at tremendous cost in the 1960s but still only producing around 0.2% of France's total energy demand.

Add all of these factors to an oil price at

\$50 per barrel (and gas at 40 pence per therm) and the renewables sector faces a massive battle to maintain both credibility and market share. But we still should not give up on green energy, because investing in renewables makes good sense whether you believe in climate change or simply recognise the fact that the UK's natural mineral resources are diminishing. Fundamentally a good energy policy is a balanced energy policy and reducing our impact on the environment should be about using multiple bronze bullets rather than the one mythical silver bullet that quite frankly doesn't exist.

Increasing the use of gas

In fact, the only quick and reliable way of reducing CO2 emissions whilst maintaining cheap and constant electricity is to increase the use of gas at the expense of other more polluting fossil fuels. This has happened in America and is why a nation of climate change sceptics has successfully reduced CO2 emissions, whilst the climate change evangelists of Europe continue to increase CO2 emissions through coal-fired power stations. In the UK we are playing our part in this duplicity (40% of energy from coal – imported at that) but the choices are becoming increasingly stark. With North Sea gas production heading into sharp decline (70% of UK gas to be imported by 2018), a more informed discussion on fracking gas is now surely required. Resistance to fracking is probably going to be even greater than against wind farms, but then again, opposition to electricity rationing in the future is likely to be greatest of all...



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