



PORTLAND MARKET REPORT

“PORTLAND STILL SEES
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January update

The 21st United Nations Climate Change Conference (confusingly called COP21 = Conference of Parties to the United Nations) took place in Paris at the end of 2015 and considering prior events in the French capital, Parisians were almost certainly glad to have the world's attention focused on something other than acts of terror. Over the years, COP meetings have become rather an easy thing to be cynical about, as few have delivered much that is concrete. Where there have been agreements, too often they have only addressed fringe areas of concern or have involved too few signatories to be of significance. In addition, one of the grand ironies of previous COP meetings is that for an event ostensibly aimed at reducing hot-air, plenty of the stuff has normally been generated! Detailed commitments on carbon reduction have been thin on the ground, whilst grand-standing, U-turns, liberal doses of sanctimony and a general vagueness around key technical issues have all been plentiful.

So why was COP21 different to previous Climate Change Conferences?

But it was slightly different this time around, with all member states (190 in total) agreeing to a legally binding framework that aims to limit global temperature increases to 2° C. So why was COP21 different to previous Climate Change Conferences? To start with, the “mood music” going into Paris 2015 was discerningly different from previous years. The world economy looks and feels less fragile than it has been in the recent past and even with China's economic slow-down, that country may be entering a more steady and sustainable period of economic development. And economic good news tends to be environmental good news, because however much the green lobby naively try to persuade us otherwise, the replacement of fossil fuels with renewable forms of energy is going to be expensive.

Despite this fact, the major powers are slowly moving to a consensus on climate change and nowhere more so than in the USA.

Firstly we have a country that is experiencing rapid decarbonisation, as coal-fired power stations close down (to be replaced by cleaner (fracked) gas alternatives) and fuel efficient cars are outselling the giant gas guzzlers of yore. At a political level, the Obama Administration – as it enters the end of its political life – now seems to be fired up with environmental zeal, having historically been timid on green issues. Not only has Obama recently vetoed the controversial Keystone XL pipeline (which would have transported Canada's oil tar sands into the US market), but the president also publicly declared before COP21 that getting an international agreement to limit global emissions was one of his top remaining priorities. Where exactly has this new found environmentalism come from? Well possibly it comes from public opinion, highlighted in a recent Yale University survey. This showed that 63% of Americans believe that global warming is real and 59% are worried about that fact. This would indicate that the topic is no longer a minority interest in the USA and is therefore a subject that even the Republicans – when the lunatics have been removed from the presidential race – will have to address.

Meanwhile in the energy sector, wherever you look, huge strides in dealing with emissions are being made. In the last 20 years, renewable energy in Europe has increased by circa 3,000% and in the same period, the cost of solar panels and electric power-train (car) batteries have both dropped by circa 60%. Carbon Capture and Storage (CCS) – although still not entirely supported by the Green Lobby – is finally coming into play. Last month in Canada, the world's first oil CCS facility was opened at a cost of \$1.35bn and by the middle of next year (in conjunction with a second Canadian CCS project), the facility will capture a combined 2.76m tonnes of CO2 each year – equivalent to annual emissions from 400,000 vehicles. And increasingly those vehicles are emitting less anyway; in 2016, it will become mandatory for new trucks and buses in Europe to use Euro VI engines, which emit certain greenhouse gases at a rate almost 20 times less than commercial engines of the 1980s.

So in terms of getting agreement in Paris, it would seem that all the necessary ingredients were in place. After all, it is a lot easier to agree to do something when much of it is happening in the real world anyway. But one monumental question now remains and that is how the general public will react; 59% of Americans may be worried about climate change, but what exactly are they willing to do about it? Certainly Portland still sees nothing that says consumers are ready to “go green” if it costs them more and there is no solution yet that reduces both emissions and costs at the same time.

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Dealing with climate change requires a three way accord between business, government and the individual. The first two elements should be addressed by the Paris agreement, but then the real work on the “man on the street” will begin. Politicians, academics, community leaders and business will all have to persuade an increasingly self-interested world that switching away from fossil fuels is a choice worth making. That will be the biggest challenge of all.



For more pricing
information, see
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Portland Fuel Price Protection
www.portland-fuel-price-protection.com