Editorial

Swing policy towards DE

industry is pivotal in the climate debate

First, a revisit. In the last issue, this column described the International Energy Agency's influential economic modellers, and the good news that they recognize the massive scale of network investment required if the world proceeds with a central generation model. This explains why greater future investment in DE will provide lower-cost energy for consumers. Alas, as I outlined last time, those clever modellers have not yet made that leap of economic logic because they continue to think of *generated* rather than *delivered* electricity.

Worse, since the last issue, the IEA has published, in partnership with the Nuclear Energy Agency, a report titled: *Projected costs of generating electricity*. Unfortunately, nowhere does the analysis take into consideration the costs of transmission and distribution. It is as if the meat eaters of Europe were told that the cost of producing a 400 g steak in Argentina was a lot less than at the nearby farm. It is a quite meaningless piece of information. They want to know what it costs to get it on their plate.

Despite the incomplete picture it paints, the new analysis is illuminating. In parts, it is even quite entertaining. For example, it says that the very lowest costs of generation are derived from nuclear power (the report is unclear as to how waste management and decommissioning costs are included). I'll pause while you regain composure. Take a little water if you wish. Consider a 10-minute lie-down. Better now?

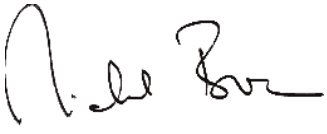
Yet, despite the fact that network costs are ignored, the report states that 'in countries which provided cost data for CHP plants and power plants generating electricity only, with the same type of fuel, CHP generated electricity is cheaper except in very few cases'. Clumsily put, but it shows that even this incomplete and slightly one-sided report comes to view CHP as one of the very best economic solutions.

This brings us to what was to have been the main theme of the editorial in this issue. The Climate Group is a very interesting new organization (www.theclimategroup.org). I am fairly sure that, alongside WADE and its members, it is unique in arguing that reducing carbon emissions in the most cost-effective way can simultaneously reduce energy costs. The Group's project examples are packed with decentralized cogeneration schemes. Here is a genuine 'win-win' opportunity that has eluded environmental groups, industrial organizations and governments throughout the world.

The conventional wisdom is that cutting emissions will be a costly, but worthy, exercise. 'No pain, no gain'. This universally held view permeates every corridor, negotiation room and plenary debate at the annual UN climate negotiations. This is why political progress to cut emissions has been so slow. It is why industry is at best cautious in its support of measures to reduce emissions, and why it argues that carbon targets in industrialized countries will simply lead to the 'leakage' of industry from north to south to keep costs down.

For all those that work in the cogeneration and DE fields, this is the most important challenge that we face. The ability to demonstrate the validity of this 'win-win' and convince the throng of sceptics will change the dynamics of the carbon debate. WADE is there. The Climate Group is there.

But where is industry? Those tens of thousands of companies whose energy bills are higher than they need to be are missing a big opportunity to swing policy their way.



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