



Editorial

A great new year

higher energy prices and a stronger environmental push will help DE markets

It's the beginning of the year and a time to anticipate energy sector developments in 2006. A year ago, this editorial made the somewhat safe prediction that 'climate change, as a global driver of energy sector policy, will gather greater momentum in 2005.' It certainly did that. The list of symptoms became longer by the month (melting ice packs, warmer seas, more frequent hurricanes) and that temperature chart continues relentlessly upwards. A rapidly growing number of countries now have greenhouse gas reduction as a central feature of their energy policy. Not all, certainly, though I'm told that the only remaining climate sceptics in Washington are the US President and Vice-President.

This was all in part reflected in the Montreal climate negotiations in December 2005, covered in this issue by my colleague, Jeff Bell. They had a more positive outcome than many expected.

Look now to another strong and positive development in 2005. If I turn again to last year's editorial, it highlights the first emergence at the December 2004 UN climate negotiations of a realization, one that is core to WADE's philosophy, that it is possible to achieve substantial emissions reduction at the same time as reducing costs and improving competitiveness. Decentralized energy, we know, is one such means. Yet, the editorial went on:

'Strangely, this is an issue on which the environmental groups are silent. These NGOs do magnificent work at the [climate negotiations] but they are missing a strong negotiating trick by implicitly accepting that reducing emissions is a costly business.'

This also began to change in 2005, led to a great degree by the most radical group of them all, Greenpeace. This and other groups, which have great political influence in many countries, have traditionally sniffed at DE and CHP because of their use of fossil fuel. A few years ago, WWF (World Wildlife Fund) began to see how short-sighted this was, but now Greenpeace has taken the lead in seeing the problems with conventional power generation and the benefits that can accrue from on-site, high-efficiency DE. The following is taken from a January 2006 news report of an interview with the Director of the organization's UK office, who is leading a campaign against nuclear power:

'But [Greenpeace] insists that improved energy efficiency – in both usage and generation [that's our highlight] – and more investment in renewables like wind and waves can remove the need for any nuclear power, let alone new plants. Figures from Greenpeace show that for every 100 units of energy fed into the power system, 61.5 are lost through heat wastage, 3.5 are lost in transmission and 13 are wasted through inefficient end usage: "What we do not need is billions of pounds being poured into new nuclear plants, which means continuing with an outdated, centralized electricity generation and distribution system".'

That could have been written by WADE!

Another transforming development in 2005 was the leap in energy prices, increasing sharply from 2004 levels which had jumped themselves. There are signs that it is these incessant increases that are acting as a stronger driver for energy efficiency and DE than the climate process: let's face it, it's a stronger political issue. The irony is that it is also driving non-expert policymakers headlong towards higher-cost solutions, including nuclear power.

So, for this year's set of (pretty safe) energy predictions:

- It will be a good year for nuclear power (let's get the bad news out of the way).
- Climate change will grow much further as a policy driver. That's good for DE, among other things.
- It will be a great year for many global DE markets. WADE's 2005 Survey of the world market showed a significant increase in market share in 2004 compared with central generation; all the signs from the market, and our Members, is that 2005 has followed suit, and that 2006 will do so too.

Michael Brown