

# There is no green paradox

Tuesday, July 28, 2009

CLAUDIA KEMFERT

In Germany, every one is talking about the "green paradox". Experts, journalists and citizens who are involved in climate protection discuss the green paradox, in discussion forums, workshops, conferences, talks. Professor Hans Werner Sinn has written a best-selling book about it.

The theory of the green paradox says climate protection measures lead to lower demand for fossil fuels and a decrease in their consumption. Countries that supply fossil fuels, mainly oil, react by flooding the market with oil, because they assume that in the future oil will be a non-starter. This leads to an increase in supply, and thus further pressure on prices, which will then lead to higher demand for oil. Thus, attempts to protect the climate come to naught. Therefore, we can continue to diligently squander energy and only worry about saving oil if all the other countries do so too.

There are three reasons why the green paradox is a myth. Firstly, there is a global increase in oil demand which is completely independent of price fluctuations. Increasing demand, mainly from the rapidly growing economies, outweighs any possible decrease in demand for oil from the OECD countries. Through climate protection measures the OECD could save up to 6 million barrels per day by the year 2030. Even if we were to begin to say goodbye to oil today, the transition would still take many years. And any possible reduction in demand from the OECD countries is more than outweighed by the increases in demand from developing economies.

Secondly, of greater significance is the fact that the oil supply cannot continue to increase sufficiently to meet demand. Even OPEC calculates an increase in the oil supply of up to no more than 116 million barrels per day by 2025. The International Energy Agency (IEA) calculates a maximum of 100 million barrels a day. This is quite different from 1976 and the early eighties when Hans-Werner Sinn's theory may still have applied. Additionally, the current financial crisis has massively exacerbated the problem. Oil prices are low and investment is not profitable, as many oil exploration sites are very expensive (deep sea, permafrost). The financial crisis also leads to less investment being made overall. The green paradox assumes that oil supplies can be increased at will. We are far too close to peak oil for this to still apply today.

A third counterargument is that demand is relatively price independent, i.e. it continues to increase even when the price increases. Oil prices will rise as supply cannot be sufficiently expanded and demand will continue to climb significantly. All these factors disprove the so-called green paradox.

The theory also fails to take into account the use of coal, which is even more relevant to climate change than the use of oil. The increasing oil price has led to an increased use of coal. For this reason, new and more environmentally friendly technologies must be developed which take climate protection into account. However, even on the coal market there is no green paradox as such, as, unlike oil and gas, coal is available in almost every country in the world, so there can be no supply cartel as with oil. Besides, it is not the oil price, the gas price, or the coal price which matters, but rather the carbon or carbon dioxide price. This is exactly what the theory of the green paradox confuses. What is important is that we encourage as many countries as possible to protect the climate, and in the course of this, establish a price for CO<sub>2</sub>. Ideally, there needs to be a worldwide price for CO<sub>2</sub>, then companies or industrial processes which are deleterious to the environment will not just relocate to those countries which are not making an effort to protect the climate.

Therefore, it's not about setting up a supply cartel in opposition to a demand cartel, as proposed by Hans-Werner Sinn. Every country is simultaneously a supplier and consumer of carbon-intensive energies that must be replaced by energies low in greenhouse gases. First we must begin to save energy, especially in the area of buildings and transport. After all, if we don't use it, we don't have to pay for it. Then our energy systems must be gradually converted to make them CO<sub>2</sub> free, secure and affordable. This requires time and money. We must begin today if we are to avoid an energy crisis because it takes at least 25 years for the planning, development and construction of new power plants, infrastructure and new technologies. And we should stop wasting time on discussions about so-called green paradoxes.

Claudia Kemfert is head of the Department of Energy, Transport & Environment at the German Institute for Economic Research. This article originally appeared in the European Energy Review.

© 2009 Hurriyet Daily News

URL: [www.hurriyetaidailynews.com/n.php?n=there-is-no-green-paradox-2009-07-27](http://www.hurriyetaidailynews.com/n.php?n=there-is-no-green-paradox-2009-07-27)