



Energy security tops the agenda

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Colaboraciones n° 1159

August 24, 2006

Within the next weeks, the British government is expected to unveil its strategic energy plan for the next quarter of a century. According to those familiar with the draft, the plan is built around a single motto: energy security.

The United Kingdom is not the first major industrial power to put energy security on top of its national agenda.

In the United States, President George W. Bush made that a priority of his administration over two years ago.

Since then France, Germany and Japan have also begun to rethink their long-term energy strategies.

In every case, the strategy adopted is aimed at reducing dependence on imported oil and natural gas by developing alternative sources of energy, notably nuclear.

It was no accident that the latest G-8 summit, hosted by Russia in St Petersburg, was built around a discussion about energy security, with President Vladimir Putin casting himself in the role of a reliable supplier in an uncertain global energy market.

Also present at St Petersburg was Brazil's President Lula da Silva with proposals to sell his Latin American giant of a country the principal exporter of bio-energy, the environmentally friendly alternative to fossil fuels.

The quest for alternative sources of energy is not limited to governments.

Almost all the major oil companies have set up new units to look for non-fossil fuels while several car manufacturers plan to invest in developing engines that use alternative sources of energy.

Until even a couple of years ago, experts believed that oil would remain the principal form of energy at least until the middle of the current century.

Now, however, many experts envisage a shorter lifespan. One minister from a major Arab producer told me recently that he now believes oil would lose its current dominant position within the next three decades at most.

Why are those who once so eagerly sought oil now seeking to flee from it as fast as they can?

The obvious answer may be the sudden rise in oil prices over the past three years.

The money paid by oil importing nations to exporters over the past decade looks like the largest transfer of wealth from one part of the world to another.

That answer, however, may be misleading. For even at \$75 per barrel, crude oil today is cheaper than in the mid-1970s in constant dollars.

In fact, compared to recent increases in prices of raw materials across the board, the rise in oil prices falls below the median.

The attempt to move away from oil may be motivated by other considerations.

Chief among these is the realisation that with the arrival of hundreds of millions of new consumers in the energy market especially in China

and India there will simply not be enough oil to go around.

No easy oil

All that means that the era of easy access to oil may be over. Those who want oil will soon have to fight for it. The demagogic slogan "no blood for oil" is already popular in the West.

Another consideration for the quest to move away from oil is the growing popularity of doomsday scenarios based on real or imagined climate change.

Even the Bush administration, regarded as the last bastion of sanity against climate doomsters, now admits that global warming may be something more than a figment of scientific imagination, after all.

Many consumers, especially in the major Western markets, are also concerned about some of the regimes that control the world's oil resources.

Finally, there is the popular assumption in some importing countries that the money spent on oil supports undemocratic and even despotic regimes in exporting states some of which even sponsor international terrorism.

The situation as seen by many of the largest oil consuming nations looks like this: one is paying a high price for a commodity that is finite in quantity, props up unsavoury regimes, finances terrorism, and, last

but not least, destroys the environment.

Nuclear energy may well cover some of the concerns with regard to dependence on finite and uncertain oil supplies.

However, this new magic wand raises a whole host of other, perhaps graver, questions to which there are no obvious answers.

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