

Since the election of Barack Obama to the presidency of the United States, energy and climate change policies have moved from the back to the front stage of federal government political actions. Under the previous administration there was more rhetoric than effective legislative activity. The most remarkable statement was President Bush's desire 'to cure Americans addiction to oil'. But, how? This was never said in a realistic and effective way. To be sure, California and other states introduced innovative energy policies, but the writ of a state does not extend outside its border although its actions may encourage other states to introduce similar measures.

The Obama initiatives are significant considering the increasing public concerns with climate change and the need for the USA to play a leading role in international negotiations on this critical issue; until recently it was seen as an obstacle rather than a force for good in the international climate change field. For these reasons we invited distinguished authors to present their views on the new US policies and initiatives.

Joseph Stanislaw, with characteristic optimism, sees the set of measures and statements by the Obama administration as defining a transformation that 'is a vital necessity', 'an opportunity of a lifetime for America and the world'. Stanislaw is however aware of the problems and challenges faced by the USA in implementing ambitious programmes of clean energy at home and reaching an international

agreement involving China on the country allocation of future CO<sub>2</sub> emissions. And is it possible to create a win/win situation with energy efficiency measures, demand reduction, conservation of resources without adverse effects on economic growth?

More sceptical views are expressed by Richard Matzke, the distinguished oilman. The new US energy plan, which is 'bold, aggressive, challenging, controversial, expensive and long overdue' essentially aims at reducing climate changing emissions. It does not meet the energy needs of industry and consumers. The bill – American Clean Energy and Security Act (ACESA) – passed in the House of Representatives by a tiny majority and with many significant abstentions, reflects both the climate objective and the neglect of energy issues. Stanislaw had noted that in the Bill,

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a text longer than a thousand pages, natural gas is mentioned but one time; and Matzke spells the point in greater detail stating that the Act does not address the ‘sources, quantity or cost of the energy required to fuel the US economy’.

At the heart of the US climate change policy is the problem of coal. David Robinson addresses the coal issue in detail in his important article. Pressures by the powerful coal lobby, and from Senators of coal states, have led to compromises that weaken the ‘environmental integrity’ of ACESA. Robinson emphasises the need to reduce emissions from existing coal-fuelled power plants. And this is where vested interests come into play. There is opposition despite provisions in the Act for incentives to promote carbon capture and storage. And the opposition is likely to be greater when the Act goes to the Senate. Backing out of coal has adverse implications for the security of energy supplies, an issue that worries US governments so much, and for the competitiveness of industry because of increases in the price of electricity. There are also implications for the regional distribution of income and wealth.

As there is much talk about new sources of renewable energy, deemed necessary for the dual objectives of climate change and supply security, we have begun to address the topic with two articles on wind energy. Malcolm Keay focuses first on the paradoxes involved in the development of wind power. It is construed as new energy whereas it is very old. Wind energy is secure but unreliable; environmentally friendly but objectionable; economic but subsidised. He then examines in some detail the case of wind power in the UK, a country with the best wind resource in Europe but where development has been slow. To meet EU targets on the renewable share in electricity generation the UK needs ‘a complete makeover of the country’s electricity system’, a task that involves a set of difficult policies.

Another article on wind by Constable and Aoyama is a statistical analysis of the load factor in UK onshore wind farms, which yields interesting policy conclusions. The reader deterred by the statistical exercise should move to the second part of the article where inferences are made. The

import of the analysis is that a sub-optimal choice of sites results in higher subsidies and costs.

Two separate articles, one by Segal and the other by Fattouh, complete this issue of *Forum*. Segal addresses the distributional problem of oil revenues and shows how they can be used to alleviate world poverty. This is an exciting subject. The issue has a clear economic solution, but as too often alas, the implementation is defeated by a lack of political will. Fattouh analyses a problem that has become topical since the rise of oil prices to more than \$140 per barrel and their subsequent rapid fall to below \$40 per barrel. This volatility, better understood as a significant price swing is bothering OECD governments with good reasons. Very unusually, it has led President Sarkozy and Prime Minister Brown to write a joint article deploring this type of volatility and calling for ideas on international co-operative action. One idea is to set a band within which oil prices would be allowed to fluctuate. Fattouh examines with insights the problems posed by volatility and the remedy of a price band.

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