

Germany Reinvents the Energy Crisis

ObamaCare isn't the only policy train wreck in progress. Like Mao urging peasants to melt down their pots, pans and farm tools to turn China into a steel-producing superpower overnight, Germany dished out subsidies to encourage homeowners and farmers to install solar panels and windmills and sell energy back to the



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power company at inflated prices. Success—Germany now gets 25% of its power from renewables—has turned out to be a disaster.

As Germans rush to grab this easy money, carbon dioxide output has risen, not fallen, because money-strapped utilities have switched to burning cheap American coal to provide the necessary standby power when wind and sun fail.

Because the sun and wind are intermittent and the power grid is poorly arranged to accommodate them, brownouts and blackouts threaten this winter.

Because the bills are paid by households and businesses, electricity rates are triple those in the United States. An immediate panic is jobs, as prized industries head to the U.S. for cheaper energy unleashed by the shale revolution. Europe's top energy official now speaks frankly of the "deindustrialization in Germany."

In Britain, where policy has been nearly as generous to renewables, "It's fine being very, very green, but not if you're interested in manufacturing," complains a prominent CEO.

Democracy's great virtue is that it doesn't follow schemes off a cliff, but the normal adjustment mechanisms are hampered by the fact that Europe's energy disaster implicates the entire political spectrum.

Ed Milliband, leader of Britain's Labour Party, set the theme for next year's British election when he recently promised to freeze energy prices if elected. But Labour isn't about to disown the solar and wind subsidies it created. It wants to soldier on, shifting the cost to business. In Germany, conservative Angela Merkel embraced the opposition's energy economics wholesale after Fukushima, leaving voters who are alarmed about energy prices no place to turn in September's election except Angela Merkel, who vaguely indicated some moderation of the *energiewende* (energy revolution) she launched and continues to champion.

An unwonted glimmer of reason has actually come from her likely Social Democrat coalition partner, author of Germany's original green energy law, whose spokesman now says: "We need to ensure that renewable energy is affordable. And we need to put an end to the idea that we can pull out of

nuclear and coal simultaneously. This won't work."

It's tempting to assume Europe's politicians were praying in the church of global warming. But more important is their subscription to resource-depletion ideology, which convinced them

A love affair with renewables brings high prices, potential blackouts and worries about 'deindustrialization.'

they'd picked a political winner because rising fossil fuel prices were guaranteed to make green energy look cheap in comparison.

"When more people consume oil and coal, the price will go up, but when more people consume renewable energy, the price of it will go down," explained Ms. Merkel's top energy adviser.

We have here an idea seemingly impervious to experience and part of the mental baggage of every politician likely to get elected in our world. "It is absolutely certain that [fossil energy] demand will go up a lot faster than supply. It's just a fact," President Obama explained in 2011. The U.S. "cannot afford to bet our long-term prosperity on a resource that will eventually run out."

Mr. Obama mentioned shale exactly once in his speech—and only to say shale would run out too.

If all this were true, Europe wouldn't be in its present fix. Here's the real truth: The shale revolution is less revolutionary than it seems. It has shocked settled misconceptions only because it happened under the noses of Americans, in populated areas where the casual assumption was that "resources" would long ago have been dug out and carted away.

In fact, the world's store of fossil hydrocarbons is truly vast, including almost unimaginable quantities of methane hydrates. The challenge is the technological and economic one of getting access to a given resource at an affordable price—a challenge ever since men used rags to soak up oil from natural seeps. For 150 years, the price of a barrel of oil has fluctuated between \$10 and \$100 (in 2011 dollars), a range that has been sufficient to call forth new reserves and feedstocks when needed to maintain hydrocarbons as a source of competitively priced energy.

Europe's energy crisis is a lot like ours of 40 years ago—self-inflicted. Europe's dream was untenable the minute energy prices began falling in a major trade competitor like the United States. The big question now is how far will the political upheaval go when an entire elite is implicated in an

unsatisfactory energy experiment, which inevitably has become wrapped up in public disappointment with another failed elite project, the European Union itself.

Fascinating too will be the fate of Europe's shale. In Europe, government, not landowners, controls and benefits from mineral resources, creating the zero-sum resource politics that have made the Mideast a paragon of stability and civil progress. What about global warming? At least that answer is easier. European voters are coming out where Americans have, realizing that foreswearing cheap energy will do nothing for CO2 levels (and even less for climate) as long as others aren't foreswearing cheap energy too.

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