

Weep for OPEC?

Written by Rodger A Payne

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RODGER A PAYNE, SEP 10 2009

Representatives from the Organization of Petroleum Exporting Countries (OPEC) are meeting in Vienna this week and the looming threat of Copenhagen is clearly on their agenda. I wrote "threat of Copenhagen" because OPEC states are primarily devoted to selling a commodity that is a significant source of climate change. The U.S. Energy Information Administration (EIA) reports that "the combustion of liquid fuels" constitutes nearly 40% of greenhouse gas emissions worldwide. In fact, until the last couple of years, "liquid fuels" were the primary energy source of emissions. Coal has now grabbed the top spot.

According to news reports, OPEC secretary-general Abdullah El-Badri made his organization's position quite obvious:

"We don't want them to penalise us because we are oil-producing countries," El-Badri said of the other world powers taking part in the landmark summit.

"Yes, the environment is important, we are concerned about the environment, we are living in the same world and the environment also concerns us but we don't want to be penalised," he added.

OPEC's claims about climate change are much like the U.S. gun lobby's arguments about gun control. Just as the National Rifle Association regularly calls for tougher enforcement of existing gun laws as it lobbies against new gun control proposals, OPEC repeatedly calls for compliance with Kyoto. Why bother making tougher laws, both groups seem to imply, when existing standards fail?

Previously, the oil-rich states have called for compensation should the world actually make significant reductions in oil consumption. Given that affluent states are likely going to have to provide substantial resources to the Global South so that poor states can comply with future climate norms, this seems highly unlikely.

It also seems outrageous. The EIA reports that in 2008 "OPEC earned \$971 billion in net oil export revenues, a 42 percent increase from 2007. Saudi Arabia earned the largest share of these earnings, \$288 billion."

In an ideal world, the oil rich states might view their resource as a curse rather than a blessing and invest short-term profits into long-term alternative means of sustainable development. Unfortunately, the academic research reveals that states dependent upon resource extraction tend to discount the future too much and misallocate resources in the rest of their economy.

Indeed, it is possible that "OPEC's greed," as one analyst terms it, will hasten their doom in a new post-Copenhagen world of carbon fuel taxes, which will increase energy costs to consumers:

The usual forecasts, based on extrapolation of past trends, do not see electric cars or non-fossil fuel power plants having a really big impact for another 20-30 years. Imagine, though, the effect on innovation of oil at \$100-200 a barrel, of hundreds of thousands of Chinese (and Japanese, European and America) engineers trying to do for solar power and for car batteries what has been done in the past decade for mobile phones and computers.

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Then, the usual forecasts will turn out to be wrong — as usual. The oil age, which began in earnest a century ago in America, will be at an end.

In America, Barack Obama made similar kinds of claims while campaigning for the presidency in 2008, but has not yet made a major climate speech to rally domestic support for a new international agreement. Nonetheless, it is good news for environmentalists that the U.S. now supports a new climate agreement — and will likely not take positions in the negotiations narrowly reflect oil interests.

In the Copenhagen discussions, OPEC may find powerful allies in the private sector — Exxon Mobil, for example — but it will no longer be aligned with the world's most powerful nation.

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