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From West to East: shifting global power via Net Zero

Alan Moran

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The 28th annual scourging of fossil fuel users, the Conference of Parties (COP28), has been and gone. Like the previous 27 meetings, it has issued a lofty statement of intent but unlike other recent meetings there was no Greta Thunberg. Her absence appeared to relate to limited protest options in the oil potentate United Arab Emirates.

Some observers regard the final COP agreement as a radical intensification of the fight against coal since it mentions phasing out the demonic fuel for the first time. Others argue this is an exaggeration since the conference advocates a phase-out only 'in a just, orderly, and equitable manner'.

In fact, although the 'commitments' at the COP talkfests are voluntary, they have real and practical consequences.

Many countries, like Australia, have seen an almost unbroken increase in the magnitude of measures targeting fossil fuels to combat a supposed human-induced climate change. Governments generally have Cabinet procedures requiring policy initiatives to be formulated in the context of the climate change policies they announce – Australia even has a Net Zero Economic Committee of Cabinet chaired by the Prime Minister.

At COP28, Climate Change and Energy Minister Chris Bowen doubled down on previous paroxysms of support for renewables. He was a major promoter of the COP's fossil fuel phase-out statements and was jubilant about what he construed to be the coming elimination of fossil fuels. Surely this is the first time a senior minister of any nation has proudly announced he has helped engineer measures that he says will eliminate some 35 per cent of his nation's exports?

The clearest measure of the global effectiveness of climate policy bite is the share of renewable energy (wind and solar) in electricity supply. At the first COP in 1995, renewables contributed virtually nothing to electricity supply. They were then and remain now, notwithstanding data fabrications by various agencies, far more expensive than conventional supplies of coal and gas as well as nuclear-generated electricity. But direct and indirect subsidies justified by climate change fears have brought wind and solar to account for 15 per cent of world electricity supply.

Europe (and Australia) massively over-perform compared with the developing world (and the US). Broadly speaking, the higher the share of wind and solar in domestic electricity supply, the higher the average price.

The share of renewables in electricity (per cent)

Europe	27
US	15
China	15
India	11
Australia	27
WORLD	15

Source BP

As indicated in the table above, many developing countries have also boosted their renewables supplies, especially when supported by Western assistance to do so. And China, on the back of its low-cost coal/hydro/nuclear generating capacity, has become the major global source of wind turbines and solar panels.

While politicians in the Western world continue to urge greater efforts to replace fossil fuels with wind and solar, those in the developing world have a different view. They welcome, as a boost to their competitiveness, Western nations' coal closures and other energy cost impositions, but refuse to contemplate, any time soon, a phase-down of their own fossil fuel supplies and indeed are rapidly expanding capacity.

Developing countries' views might have once been marginalised on such issues and have had their policies tempered by Western assistance. South Africa is one such country, having agreed to accept $US8.5 billion to transition to renewables. But South Africa is now seeking more funding, while also having over 3 GW of new coal plants under construction and a further 1.8 GW in the pre-permit phase – altogether similar to the coal capacity of Victoria.

Western nations can no longer afford the bribes and blandishments to compensate developing nations for sacrificing energy efficiency on the altar of vastly overstated human-induced climate change. That's because the past 40 years have seen the most dramatic shift ever in the distribution of global economic power – and inevitably, therefore, political clout.

Measured in terms of steel production, in 1980 China and India accounted for just 6 per cent of the world's heavy industry, while the US and EU accounted for 45 per cent. Last year, India and China accounted for 59 per cent of heavy industry while the US and EU were down to 11 per cent. In addition, many other 'third world' nations have become substantial industrial economies – invariably on the back of low-cost fossil-fuelled energy. And, as the COP28 revealed, there is an increasing influence of the oil states, which, whatever their statements, will not wind-down their oil and gas industries.

So, while the COP28 communique confirmed the steady drift of policy actions towards more support for renewables and discrimination against coal, this is colliding with the 'third world' economies fuelled by coal and gas surpassing the importance of those in the West. A bitter reality of this is that the shift in relative income levels has been, in part, engineered by Western politicians adopting energy policies that have reduced the strength of the economies they administer.

That aside, one outcome of the relative decline of Western economies is an undermining of the ambitions of their activist politicians to kill off fossil fuels.