

FLAT WHITE

## The western world's elites conspire to outlaw cheap energy

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Aspirations of the “have nots” or “have too littles” have, through their elected representatives brought an inexorable growth in the size of government. Government in most western nations controls over half of GDP (it is 45 per cent in Australia) compared to under 25 per cent a century ago. Ironically, some notionally communist nations that ostensibly favour an enhanced government economic presence have relatively small government GDP shares – China (37 per cent) and Vietnam and Cambodia (23 per cent).

Notwithstanding their diminishing non-government sectors, western economies have, to date, still retained scope for markets to bring about cost efficiencies and innovation — and hence rising living standards.

But a corrosive undermining of economic resilience is underway.

For over a century, self-made wealthy men have provided bequests to charities. These charities: Rockefeller, Carnegie, Tides and many more, have gradually been transformed into social actors increasingly with environmental agendas. In recent decades the charities joined in such political causes by living individuals, including scions of wealthy entrepreneurs like James Murdoch and most of the mega-successful information technology innovators. Racial and gender discrimination are two issues championed by these donors but climate change is pre-eminent.

The direct action by wealthy activists is massively fortified by the preferences of investment fund managers, who control most of the world's investible savings. Launched in 2017, 'Climate Action 100+' describes itself as an "investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change." The members manage over \$54 trillion in assets, which is equivalent to sixty per cent of the market capitalisation of all the world's stock market exchanges. Most participatory funds avoid hydrocarbon investments; others pressure the businesses in which they invest on climate change governance, to cut emissions and to strengthen climate-related financial disclosures. Climate Action 100+ funds have recently elected three green activists to the board of Exxon.

In normal circumstances, discriminatory action against a particular investment class would be self-correcting. The targeting would lower the firms' share prices. The flip side of this means a higher return for each dollar invested, which brings about a correction as investors seek to take advantage of the better value. Investment funds opting not to pursue stocks that sentiment has made cheaper will see a relative decline in their performance and gradually lose market share.

But the timing of that correction is increased, perhaps indefinitely, when political and institutional arrangements collaborate to enhance the risks of the demonised sectors. Governments, like financial institutions, have formal and informal agreements to direct investment away from the hydrocarbon energy sources that have been essential to creating modern-day living standards. As with activist investors, their alleged concerns are fanciful alarms about climate change resulting from increased emissions of carbon dioxide.

Within the political and administrative elites, vilification of hydrocarbons has been fuelled by international meetings designed to reduce emissions of carbon dioxide like those of the Intergovernmental Panel on Climate Change and the 1992 United Nations Framework Convention on Climate Change, the Kyoto Protocol (1997) and the Paris Agreement (2016). Almost every western nation has measures that subsidise renewable energy and penalise energy from fossil fuels (as well as that from nuclear energy). The subsidies remain even though advocates for these CO<sub>2</sub>-light forms of energy claim them to be cheaper than the hydrocarbons (and nuclear) they are designed to replace. Governments are also supporting more ambitious projects (the latest being hydrogen)

Further impetus is being delivered through legal and regulatory measures designed to increase the costs of, if not prevent, the development of fossil fuel resources. These have now extended to include a [Dutch](#) court requiring Shell to reduce its emissions by 45 per cent under a “duty of care” climate based rationale; a radical left wing judge in an Australian court case has ventilated a similar theme regarding a coal development. Reinforcing these cost impositions are regulatory measures nationally and internationally requiring firms to fully document any future climate risks on their portfolios.

Lending institutions compound the difficulties — [Chinese](#) banks are almost alone in offering finance to coal developments. Alinta is not the only Australian fossil fuel plant owner finding it [exceedingly difficult](#) to obtain commercial finance and

seeing little option but to call for government to fill the funding void they have been instrumental in creating, if only to prevent coal plants' "disorderly departure" from the industry.

The elimination of Donald Trump means no senior western leader opposes the political groupthink. In stage-managed photo shoots, western world's leaders at this month's G7 meeting in Cornwall refined their rhetoric. Their slogan, "Build Back Better for the World" was elaborated by Boris Johnson as, "building back greener, and building back fairer, and building back more equally. Maybe in a more gender-neutral, a more feminine, way".

This is Newspeak for the corporate regulations and subsidies to high-cost renewable energy projects that are undermining the competitiveness of western economies. Additional such measures will make things worse.

The G7 slogans also threaten China, since the vilification of hydrocarbons has as a backstop the threat of tariffs on the carbon content of imports. This is just in case products with a seal of approval from the modern version of Eisenhower's corporatist government-industrial complex fail to prevail against those without the baggage of ideologically inflicted energy cost premia.

The case for trade measures targeted against Chinese competition has been boosted by Xi Jinping's bellicosity. But such measures would also impact on other less carbon-sensitive producers like India, Bangladesh, Indonesia and Vietnam and thereby weaken any international alliance against Chinese expansionism.

For hydrocarbon-rich Australia, presently politically estranged from its major export market, the western world's agenda can only have even more deleterious consequences than those that other developed countries are experiencing.

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