

# ***Big Nanny creates a Gas Bubble.***

*By Viv Forbes*

Four energy sources power most of our world – oil, coal, uranium and gas. These are the earth energy sources that provide heat, light, transportation and power for most homes, factories, farms, vehicles, engines and appliances (for Australia and New Zealand, cross out uranium).

Australia has large buried resources of all of these fuels, and we lead the world in exploration, drilling and extraction technology.

So what could go wrong?

In just three words – ***stupid energy policies*** – Big Nanny is a neurotic busy-body and must interfere.

The worst example in Australia today concerns the gas market. (“Gas” covers natural gas, liquefied natural gas (LNG), coal seam gas (CSG) and methane.)

The gas policies of federal and state governments could be the major chapters of a text book entitled “How to Create a Gas Bubble and Waste Energy Resources”.

Most of the stupid energy policies enacted in parliament and discussed in the media today can be traced back to one universally corrupting source – the International Green campaign to ration and tax the coal and oil industries, all under the cloak of hysteria about global warming.

The first chapter of the “How to Waste Gas” text book was written in Brisbane, the carbon capital, with the state government “ClimateSmart Policy” which is more accurately called the “EnergyStupid Policy”. This policy, mirrored in most other states, forces electricity suppliers to generate a legislated proportion of their electricity from gas (now 15%).

See: <http://www.dme.qld.gov.au/Energy/history.cfm>

Introduction of this policy immediately caused an increase in the demand and price of gas and an artificial boom in exploration for gas – the start of the Big Nanny Gas Bubble.

Naturally, the directors and shareholders of gas companies applauded the scheme. So did those who manufacture and install gas pipelines and gas turbines.

However, consumers did not applaud when the costs of both electricity and gas rose.

But there's more.

In the same “EnergyStupid” policy, the Queensland Government promotes and subsidises the replacement of electric heating appliances with gas appliances. This policy makes no sense whatsoever. It fills our homes with hot burnt gases, and reduces the already lowered oxygen content of the air; in some cases, the deadly gas, carbon monoxide, could be created right inside our homes. And, of course it will cause consumers to spend more on new appliances and will give another push to the Big Nanny Gas Bubble.

Naturally, the directors and shareholders of gas companies applauded this scheme. So did those who manufacture and install gas appliances.

Consumers and homeowners were conspicuously silent.

But Big Nanny had still more ideas on how to keep inflating the gas bubble.

Next came the federal government with its law mandating 20% of electricity be generated from “renewable energy”. This will force feed the construction of solar and wind facilities. But the main perverse consequence will be to also force the construction of a parallel universe of gas fired power stations to prop up the solar collectors when the sun does not shine, and backup the windmills when the wind stops blowing. The main effects of this policy will be more demand for gas and further increases in gas prices.

### *Who needs wind when you've already got gas?*

Naturally, directors and shareholders of gas companies applauded the policy. So did solar and wind energy speculators, Chinese manufacturers of solar panels, and multinationals like General Electric who manufacture wind turbines.

Consumers of gas and electricity did not applaud.

But there's more.

The next gas wasting scheme is the Rudd Ration-N-Tax Scheme from Big Nanny in Canberra. This bill penalises production of one “greenhouse gas”, carbon dioxide, but not the main one, water vapour, which comprises more than 90% of all so-called greenhouse gases.

All so-called “carbon fuels” are actually hydro-carbons, and when burnt, they all produce varying proportions of carbon dioxide and water vapour. Both are precious, non-toxic atmospheric gases supporting all life on earth. Man's production of them is irrelevant in controlling world climate.

By applying rationing and taxes to only one of these gases (carbon dioxide), electricity generation is distorted away from coal in favour of greater use of the more expensive gas option. (Natural gas, when burnt, produces proportionally more water vapour and less carbon dioxide than does high quality coal).

Naturally, directors and shareholders of gas companies applauded this scheme. So did those who manufacture or install gas turbines and gas pipelines.

Consumers did not applaud.

### *When in doubt “Follow the Money”.*

The debate on Emissions Trading is now dominated by vested interests.

Most of them plan to loot taxpayers and consumers as well as secretly getting into one another's pockets.

*Richard Watkins Oct 2009.*

Unbelievably, there are still more foolish energy policies.

The increased demand for gas has spurred exploration and large quantities of gas have been discovered in Queensland. At least three groups are planning LNG export plants in the Gladstone area.

Now one thing Big Nanny hates is competition. The growing export market for LNG guarantees rising competition for all the silly schemes which require extra supplies of domestic gas.

In a discussion paper released recently, the Queensland Government expresses concern that unless they manipulate the gas market, there may not be “sufficient supply of affordable gas available to meet future electricity generation needs and to support the ongoing development of Queensland’s industrial sector.”

Translated this reads “We are concerned that the silly laws we have already passed will cause an artificial increase in demand for gas and soaring gas prices. This will cause electricity prices to rise, as well as kill all those industries relying on gas for petrochemicals, fertiliser, motor fuel and backyard barbies. It could also upset the voters. In case the media or the electorate recognise our corrupting hand in causing this market failure, we may need to force gas producers to supply gas to our local friends at an artificially low price.”

Big Nanny then published two proposals for yet more silly legislation encouraging both waste and sterilisation of gas resources in Queensland.

See: <http://www.industry.qld.gov.au/dsdweb/v4/apps/web/content.cfm?id=14443>

Option 1 gives the Queensland government the right to demand that a percentage of gas production be supplied to the domestic market. Such a bludgeon is never needed unless the domestic industry is unwilling to offer the market price. So they ask their mates in Parliament to steal some gas for them.

Option 2 is more subtle, but has the same effect. It would allow the government to sterilise some gas bearing land by insisting that any production from particular areas be reserved for their mates in local industry who do not want to compete in an open market.

But there is no Option 3 – “Leave things alone”?

Suddenly gas producers did not applaud. Nor did potential customers for our LNG – they know that Russia has proven an unreliable gas supplier to Europe. Is Queensland seeking the same reputation in Asia?

Supporters of this proposal to place an embargo on exports need to read the long sorry history of the iron ore export embargo.

Way back in 1938, after an extensive government study, the Federal Government decided that domestic reserves of iron ore were “inadequate for both export and domestic requirements, and concluded that known reserves should be conserved for the domestic steel industry.”

**(Ref: Pratt Roger, 1993 “Australia’s Iron Ore Resources”, Aust Govt Pub Service, Resource Report, Aust Bureau of Resource Sciences.)**

So, in July 1938, the Commonwealth imposed a ban on all export of iron ore. This embargo remained in place, unchanged, for 22 years.

Naturally the local steel maker, BHP, was delighted with this policy which gave them a monopoly in the market for iron ore from mines in the Middleback Ranges in South Australia and Yampi Sound in West Australia.

But in 1952, a WA pastoralist and prospector, Lang Hancock, discovered rich iron ore in the Hamersley Ranges, and began the huge task of convincing politicians that the embargo was unnecessary and merely deterred discovery and development of the iron ore industry.

That took even the determined Lang Hancock nine long years, during which he secretly explored the vast extent of the iron ore resources of the Pilbara.

In December 1960, the Federal Government partially relaxed the embargo but continued the ban over most of the proven iron areas such as Middleback Range, Yampi and Koolyanobbing, and generously "permitted the export at limited rates of up to half of the proved reserves of other deposits exceeding 2 million tonnes". But not until March 1961 did the WA government allow the grant of titles for the exploration and mining of iron ore.

Iron exploration boomed once the government roadblocks were removed, and Hancock's beloved Hamersley region was quickly established as one of the world's greatest iron ore provinces.

By 1966, long term contracts for the sale of 300 million tonnes of iron ore had been signed. Government estimates of Australia's iron ore resources rose from 263 million tonnes in 1940 to 35,000 million tonnes in 1974. Almost all of this increase occurred AFTER the embargo was lifted. This embargo thus delayed development of Australia's iron ore export industry for over 20 years.

A similar embargo has smothered our uranium mining industry for a similar time already and prevented us from discovering what Edward Teller 30 years ago described as a likely "Persian Gulf of uranium riches hidden in Australia".

*Trade Embargos constitute Economic Warfare.*

If goods don't cross borders,  
armies will.

*Frederick Bastiat,*

Export embargos always assume no new resources are discovered. They are always a self fulfilling prophecy. Few people bother to explore for something that cannot be sold.

Government attempts to manipulate markets are littered with waste and destruction. Examples include the Wool Board, which brought great harm to wool producers, the International Tin Council which devastated the tin market for years, the European farm subsidy and stabilisation schemes and all the monopoly marketing boards.

But oblivious to all the lessons of history, state and federal governments support a jigsaw of policies which guarantee a shortage and waste of our gas resources, and wild prices and supply interruptions for gas and electricity consumers.

Consumers should buy up on candles for light and coal for the open fire.

To recycle a truism of the Whitlam era:

“Any fool politician can bugger up Britain, but it takes real genius to bugger up Australia”.

Current Federal and State politicians are showing they have sufficient genius to bugger up the whole energy/electricity market, by encouraging misuse of gas, wastage of coal, prohibition of nuclear and mandated use of expensive unreliable wind and solar options.

They should abandon all attempts to distort the energy markets and allow producers and consumers to discover the best combination of fuels and technologies that best satisfy consumer demand.

Keep Big Nanny out of the energy china shop.

Viv Forbes

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