



Letters Editor, *The Wall Street Journal*

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Abating Global Warming for Fun and Profit

To the Editor:

Michael Boskin (April 16) forgot a minus sign: abating global warming will not cost but *save* the U.S. "as much as \$200 billion a year" net, excluding the avoided costs of trying, or failing, to adapt to possible climatic change.

He and your reporter were hoodwinked into supposing that saving enough energy to cut fossil-fuel burning 20% by 2005 will cost "trillions of dollars." Professor Nordhaus (perhaps the most distinguished of many economists who say this) has confirmed that it isn't, as you report, a research finding, but a mere *assumption* from theory.

It flatly contradicts the facts. Many utilities are saving lots of electricity at costs of about 0.5¢ per kilowatt-hour, and many industries are pushing post-1973 energy savings per ton well past 50% with paybacks still under two years. Indeed, *measured* costs and savings -- not theory -- show that fully using today's best end-use technologies could save 75% of U.S. electricity cheaper than fueling existing power plants, and 80% of U.S. oil cheaper than drilling for more. All the former and half the latter technologies are now commercially available.

Many official analyses recognize a huge, cheap potential. In a cold, heavily industrialized, and already very energy-efficient country, for example, the Swedish State Power Board found last year that doubled efficiency and other improvements could simultaneously power 54% GNP growth to 2010, phase out the nuclear half of electric generation, *reduce* utilities' CO₂ output 34%, and make electric services nearly \$1 billion per year *cheaper*.

In short, saving fuel generally costs far *less* than burning it. Abating global warming (and acid rain) by boosting energy productivity will thus be *not costly but highly profitable*, and hence implementable in the marketplace.

Confronted with this fact, Professor Nordhaus said I could use an assumption different than his and would get a different answer. But this isn't a scholastic debate: wrapped in computer models, counterfactual assumptions like his produce silly headlines, mislead people like Michael Boskin, and paralyze policy.

Those sophomoric computer models only ask, "To depress fuel use $x\%$ at historic elasticities, how high must energy prices go?" -- and count that as the cost. Higher energy efficiency, saith the theory, must cost extra or we'd have bought it already. In reality, most energy savings are juicy at *present* prices, but are underbought because of manifest market failures: poor information, immature delivery infrastructure, perverse regulation which penalizes efficient utility investment, sparse markets in saved energy, and discount rates tenfold lower for energy-supplying than -saving options (thus diluting price signals tenfold). Proven, available, fast-spreading solutions are the everyday work of energy-efficiency practitioners -- but seem unknown to economists who lie awake nights worrying about whether what works in practice can possibly work in theory.

If they've heard of it at all. Most global-warming conferences devote 1% of their time to energy efficiency -- to say that though vital, it will of course be slow, small, costly, inconvenient, and authoritarian, so let's get on with the real business of setting up new bureaucracies to tell people how to live. Policymakers' ignorance of modern efficiency potential thus drives them into bizarre schemes to substitute dirigisme for markets, penury for development, risks for rewards, and costs for profits.

Champions of reckless prudence further rationalize inaction by citing scientific uncertainty (as if it didn't cut both ways). But over half of global warming can be abated by energy efficiency at strongly negative cost; a fourth, by sustainable farming and forestry practices at zero or slightly negative cost; and a sixth, by CFC displacement at irrelevant cost (since the ozone layer must be saved anyhow). So why fiddle while coal burns?

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[Note to Editor: if you edit this, please call me to check before printing to ensure accuracy. Thanks!]

[The author was profiled in the *Journal* and featured in its Centennial Edition.]

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