

Re: Viable hydrogen vehicle by 2010

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tkalbfus1@aol.com (Tkalbfus1) wrote in message
news:<20040924025842.20420.00000110@mb-m01.aol.com>...
> > *Shifting the cost of something to the government doesn't reduce the*
> > *cost. In most cases, there's a premium to be paid in having the*
> > *government handle it.*
> >
>
> *But it does make the cost more bearable.*

You're not getting it. The cost of doing something is the cost of doing something. Period. That cost *must* be paid or the thing won't get done.

> *A hydrogen subsidy can be paid for by*
> *a progressive income tax that puts more burden on the wealthy than on the*
> *Middle and lower classes.*

This merely shifts the cost it doesn't change the cost. In fact, there's a premium to be paid when costs are shifted in this way. Hiding the true cost of a thing might be defensible if there are important social benefits. Things like education, or the mails provide such benefits. Medicine some would argue has the potential to pay huge social benefits as well. There's just no similar benefit that you can mention for energy.

Energy is a strategic resource. That means its cost impacts the rate at which the economy grows or doesn't grow. Look at the price changes over the past 30 years following the rise of OPEC. There is a clear correlation between the cost of primary energy and the rate of economic growth. Plainly providing a subsidy that hides the true cost of a technology that in the end increases the cost of energy is a recipe for economic disaster.

> *I would consider it part of the defense budget.*

Today there are other costs that haven't been considered in the past. This is reflected by the run-up in cost of energy – \$50 per barrel oil for example – this is likely to cause a dramatic tightening of the US

and other industrial economies. Subsidising alternatives might have some political support following 9/11 – but it won't help the economy.

It won't even help the alternative energy business build infrastructure we really need. It will cause the market to respond to the subsidy and remain uneconomic far longer than it otherwise might.

> >So, to ask the government to solve our energy problem by subsidizing

> >

maintained by OPEC after US oil supplies went into secondary production, they have arranged things in international trade so that a portion of the major oil reserves in the world were removed from trading – effectively putting those reserves in storage. As Saudi Arabia comes near the end of its reserves (going off earlier more accurate reporting of ultimate reserves) – it is bringing rogue nations removed from the market earlier back onto the market. What this has done is put into a short period all the economic shocks – and created an extended period of higher priced energy – near the limit of what our society can sustain at present. In this environment the government has subsidized research into all sorts of alternative energy sources – none of which have proven to be economic. We have about 20 years or so to come up with a good solution, or transition to even higher priced energy where the world will become largely post-technical – with a high caste of technology users in a definite minority.

Of course solving the problem of energy for humanity returns us to the scenarios of the 'too cheap to meter' heyday of nuclear power.

I do believe that if the end of cheap oil is inevitable, and the best alternative is twice as expensive as oil is today – say nuclear power plants. Then, the government could make a rational decision to a) increase the price of energy by taxing it to raise the level to point it will be at with new alternative to oil, and b) use the revenue stream to subsidize investment in the new technology. That way the market will respond to the new pricing paradigm and money will be invested very rapidly into the new alternative (in this scenario nuclear power plants)

Of course, if a private company through a totally private initiative should come across an energy technology that is competitive with oil – making oil from sunlight and air for example at \$9 per barrel – then the government need do nothing but make sure there is a level playing field and honest markets. In that environment the private company will first price to the market price of the diminishing oil supply to make huge profits. As the new company (and its copy cat competitors) grows in output the price of oil will start to drop to meet the new pricing structure. This will result in massive economic growth, increases in tax rates, or both.

Another thing government might do is to insulate the marketplace against price increases. That is, government could cut back on major

spending in one area – say welfare or the military – and use that money to subsidize low-cost energy. This has huge social consequences, but could maintain the fiction that we live in a world of low energy costs. And if the economy grows beyond the capacity of government to give up programs (increasing tax rates has negative strategic consequences to economic growth ala Schumpeter) – society then pays the price of energy excess – created by this false signal sent by government.