

Opinion & Analysis

Oil volatility could open up exchequer mother lode



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OPINION

There is a way of rescuing the State finances and at the same time promoting alternative energy

IMAGINE IF our hard-pressed exchequer could dream up a scheme to raise hundreds of millions of euro in additional revenues in a way that few people actually noticed.

Imagine if at the same time this method was also a shot in the arm for the development of alternative energy and public transport. And while we're at it, a major boost for public health. All this, bear in mind, from just one single measure.

Sounds too good to be true? Perhaps not. To make it happen, all Minister for Finance Brian Lenihan has to do is to set a floor on the price of petrol and diesel. As global fuel prices drop below that level, special levies kick in automatically to bring the price back up to a pre-set minimum.

Oil is now a wildly unpredictable commodity. In July, it approached \$150 a barrel. As recent anxiety over global recession bites, it has slumped – for the moment – to below \$50.

Who knows where it will be in six or 12 months' time. Right now, however, the Government needs to raise cash, and here's where to find the mother lode.

Oil price volatility is in its own way as damaging as the chaos in the financial sector.

The difference this time is there is actually something we can do about it. Lenihan's first task would be to find a reasonable level – I'd suggest around 125 cent a litre – to set the price floor.

Now, as oil prices tumble, the State pockets a huge windfall in additional duties, while the motoring public simply continues paying what we've become accustomed to shelling out. Taxation-wise, it is the most feathers for the least hissing. Higher fuel prices force us all to think twice about the kind of car we drive, and how much we use it.

It would be a major mistake to allow a temporary lull in oil prices to undo the slow but real progress being made towards reining in our runaway transport emissions. Oil is a dirty and declining commodity that we need to rapidly wean ourselves off. You don't tackle an addiction by making the drug cheaper.

The Government's sustainable transport strategy is due soon, but Julie O'Neill, the most senior official in the Department of Transport, recently stated that the car as we know it is running out of road. Or as she put it: "Fiscal measures will have to be introduced to discourage people from using the car unnecessarily."

An inkling of this was the €200 levy for

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employee car parking spaces announced in the recent Finance Bill (along with an eight cent fuel tax increase).

The changes in vehicle registration tax and road tax brought in during the summer were modest but useful steps towards weaning car buyers off gas guzzlers.

From 1990 to 2006, CO₂ emissions from transport in Ireland shot up by 170 per cent, as our national fleet almost doubled and engine sizes increased.

Today, transport accounts for one fifth of our total carbon emissions, and rising. Yet EU rules commit Ireland to somehow cut our total CO₂ emissions by 20 per cent by 2020. We are now spending €6 billion a year on oil

imports – that's €1,500 for every man, woman and child. Longer term, this dependence is a dagger to our collective throat.

Reducing fuel usage is a big ask, but it can be done. The EU is close to agreement on lowering car emissions by 18 per cent to an average of 130g per kilometre. Ireland will soon be facing massive EU fines for excess carbon emissions.

Why not save ourselves a fortune we haven't got and use the levy windfall instead to fuel a job-creating programme to green our economy?

Back in 1981, Saudi oil minister Sheikh Yamani warned the Organisation of Petroleum Exporting Countries: "If we force western countries to invest heavily in finding alternative sources of energy, they will."

This, he suggested, "will take them no more than seven to 10 years".

Flooding world markets with cheap oil has been a favourite tactic of producers to kill off renewable and energy-efficiency initiatives. A floor price on oil would help by sheltering promising new technologies during their expensive development phase.

At last, technologies to topple the century-old internal combustion engine really are upon us. Carmaker Tata is touting a

vehicle driven by compressed air. Also, electric vehicles and hybrids are now finally capable of being taken seriously.

A modern electric car could get you from Dublin to Limerick on a single charge, for the bargain price of around six cent per kilometre. In reality, on any given day, very few of us undertake single journeys of over 100km.

The Department of Energy yesterday showcased a range of electric vehicles available in Ireland. They have the great advantage of being capable of being plugged in at night to a grid powered by renewables, and so in time achieving truly zero emissions. After many false dawns, the day of green motoring may well be finally upon us.

Try telling that to Jeremy Clarkson. *Top Gear Live*, a spin-off of the BBC show that lionises boy racers, opens this morning in Dublin.

In today's climate of energy conservation and sustainability, Clarkson's laddish antics are as hopelessly anachronistic as the notion of Benny Hill chasing Mary McAleese in a French maid's outfit across the Áras front lawn.

And you thought all our dinosaurs were in the Natural History Museum?