

IA INTERNATIONAL ASSOCIATION FOR ENERGY ECONOMICS  
EE  
*Newsletter*

EDITOR: Nicky France CONTRIBUTING EDITORS: Paul McArdle and Tony Scanlan

S U M M E R 1 9 9 3

## President's Message

First and foremost, I wish to thank many of you who have been so kind to me after my open heart surgery on 12 June 1993. I was overwhelmed by your expressions of good wishes, flowers, books, get well cards, etc. I am happy to report that the operation was a complete success. I will now have 50 percent more energy and will be able to fly around the world as before!

The Bali conference was a great success. I would like to thank the Indonesian organizing committee, particularly Dr Purnomo, for their efforts. Over 300 members participated and the programme was full of substantive and highly regarded papers. I was sorry to miss the conference but President-Elect Jean Masseron and Immediate Past President Ulf Hansen led the Council meeting and represented me. Past President Campbell Watkins was, as always, ready to step in and help me out. Dennis O'Brien kindly gave the John K. Evans memorial lecture on my behalf. I am most grateful to all of them.

IAEE is holding steady on its course with membership and finances in relatively good shape. We continue to experience difficulties in receiving membership dues from certain countries in the former Soviet Union that are experiencing major foreign exchange problems. We are seeking contributions from certain affiliates and corporations to cover the dues. I remain committed to staying the course with our members who are facing short-term problems.

We are committed to excellence in publications and to expanded communication through our *Newsletter*. Ed Morse, Vice President for Publications, has resigned due to other commitments and I have appointed Campbell Watkins to fill his remaining term during 1993.

There has recently been much talk about bundling or unbundling of the *Energy Journal*. With the creation of a US affiliate, the question has been raised as to whether the US affiliate should follow the same route as some of our other affiliates and drop the *Energy Journal* from the membership fee. Since the US members have been the largest subscribers to the *Energy Journal* through their dues, any unbundling is considered

to weaken the Journal. The US affiliate seems to be asking for similar options granted to other affiliates on the grounds of fairness. I feel very strongly that as the *Energy Journal* is our flagship publication, we should undertake all efforts to keep it viable. I

believe we should begin to move toward a long-term target of persuading all our affiliates to take the Journal. Indeed, almost every association *requires* their flagship journal to be included in their dues. While non-English speaking affiliates may have legitimate concerns about fees (we have agreed to freeze fees through 1995), I would like to ask everyone to think about full or partial re-bundling over the next few years. Today, our affiliates in Norway,

Japan and Taiwan are among those who are non-English speaking but all their members take the Journal. For our English-speaking members, I recommend keeping the Journal and moving toward re-bundling. We have to protect our flagship and the Journal needs everyone's support.

Finally, I would like to urge you to write to me and propose what kinds of services/products you wish IAEE to provide for you. Are you reasonably satisfied with the level of services/products you receive? What more can we do? Please let me know your thoughts.

With warm aloha,

Fereidun Fesharaki  
President

## New editor for Newsletter!

I am pleased to announce that the *IAEE Newsletter* has a new editor, effective from the December issue this year. Please could all members direct their news and items for the *Newsletter* to David Williams at HQ (full address on page 8) and watch for further details!

Thank you to everyone who has helped and encouraged me over the last two years. Goodbye and good luck.

Nicky France  
Outgoing Newsletter editor

## Obituary Andrew Holmes

I am saddened to inform you of the death of Andy Holmes, aged 36, on 11 September 1993 following a long battle with illness. He will be a great loss to energy journalism and to his many friends and family. He leaves a wife, Claire, and two young children, Lottie and Jack. A memorial service was held recently at St. Brides' London, attended by large numbers of his colleagues and family. I personally would like to pay my respects to the man and his work and say how much he will be missed.

*Nicky France*

The following is a verbatim obituary by Chris Cragg which appeared in *The Financial Times*:

### Andrew Holmes Trenchant analyst of energy

Andrew Holmes, editor of the FT's *Power in Europe* newsletter, has died aged 36, following a long battle against brain cancer.

Born in Strathclyde, Andy Holmes joined the Financial Times group in 1982 after a period as a press officer in the Department of Energy. His deep knowledge of the energy sector and of government bureaucracy were two of his many assets as a journalist.

He was an early editor of *European Energy Report* and in 1987 launched *Power in Europe*, which achieved prominence and influence during the debate over energy privatization. Holmes was an especially trenchant analyst of the nuclear power sector, arguing at a time when it was unfashionable to do so that the coal industry was emerging as a casualty of government policy.

A vigorous scoop-getter, he was named Energy Journalist of the Year in 1989 by the British Institute of Energy Economics, which said he had 'raised the level of debate' on privatization. His views were expressed in a series of books, broadcasts and in evidence to the Commons energy committee. Beyond that, his loves were music, literature and football. His dry wit could be devastating, his humour and generosity exceptional.

Andy Holmes is survived by his wife Claire, daughter Lottie, and son Jack.

*Chris Cragg*

### Book review

*Energy Investments and the Environment: Selected Topics* edited by Corazón M. Siddayao, with the assistance of Lisa Griffin. The World Bank, 1818 H Street, NW, Washington, DC 20433, USA. Economic Development Institute, Technical Materials Series, pp 251, ISBN: 0-8213-2398-9.

This volume is a collection of papers commissioned for a workshop organized by the Economic Development Institute in October 1990. The introductory chapter, by Dr Corazón M. Siddayao, summarizes the key issues in developing countries related to the implication for the environment of energy investments. Chapter II, by Professor Wesley Foell, Dr Mark E. Hanson and Dr Collin Green, is titled 'Environmental Considerations in Renewable Energy Policy Development and Investment Planning'. Chapter III, on the environmental implications of

investments in oil and gas, was written by Dr Dennis Anderson. Chapter IV, on the institutional barriers to achieving the desired link between sustainability and the environment in the energy sector, by Professor Morris K. Miller. Chapter V, which discusses the issue of indexing a greenhouse gas regime that incorporates efficiency and equity goals, co-authored by Dr Kirk R. Smith with Professor Joel Swisher, Dr Dilip Ahuya and Rebekah Kanter.

(The French version was edited by Dr. Corazón M. Siddayao and Professor Jacques Percebois in collaboration with Dr Jean-Marc de Comarmond and Professor Jacqueline Percebois-Mathieu. It has been published for the World Bank as *Investissements Energetiques et Environnement* by Economica, 49 rue Héricart, 75015 Paris, France, July 1993, ISBN: 2-7178-2456-1, pp331, 200FF including tax.)

*Corazón M. Siddayao*  
*World Bank*

### Workshop report

How will the US electricity industry evolve during the next decade? This question was addressed on 2 June 1993 at the annual US National Capital Area Chapter's day-long workshop co-sponsored with the Center for Strategic and International Studies.

Opinions differed about precisely how the industry would be reshaped after passage of the National Energy Policy Act of 1992, but an all-star roster of speakers leading off with John W. Rowe, President and Chief Executive Officer of the New England Electric System and concluding with Ashley C. Brown, former State of Ohio Public Utility Commissioner, agreed generally on the forces that control the future of the US electricity complex. Mr Rowe listed them as: 1) deregulation of generation; 2) retail competition (eg from natural gas) and from Demand Side Management; 3) rising customer expectations of reliability and quality of service and; 4) environmental requirements.

While there was no clear consensus on the long-term effectiveness of DSM, one speaker cited an Electric Power Research Institute study suggesting that perhaps only 5 percent of the potential savings in the industrial sector (rated at 24 to 38 percent of currently projected demand) was likely to be realized by the turn of the century. Nevertheless, relatively low economic growth was seen translating into slow growth for baseload capacity, with some being carried out by non-utility suppliers. The US market for new generation capacity is likely to be fiercely competitive (a recent case in the southeast was cited where a proposal for a 400 MW peaking unit drew between 30 and 40 bids).

The role of public utility commissions was depicted as expanding and becoming more detailed - resulting in a patchwork of ground rules across the nation in determining 'winners', and with at least one state commission preparing to enforce environmental dispatch rules. Commissioner Brown concluded the seminar by posing the basic dilemma facing the entire industry as it evolves: how to reconcile the continued desire and need for long-term planning with a broad desire (and legislative/regulatory requirements) for freer competition.

*Paul McArdle, US Editor*

## Important reading US Petroleum Refining Meeting Requirements for Cleaner Fuels and Refineries

This six-volume report examines the factors affecting the outlook for US refining during the period 1991-2010. The Executive Summary is excerpted from Volume I and is available separately, (as is each volume of the report) presenting the key conclusions, recommendations and findings of the overall study.

Volume I, *Analysis and Results*, in addition to the Executive Summary, presents, in five chapters, the report's supporting analyses. It assesses the ability of the US oil industry, both physically and economically, to manufacture and supply the quantity and quality of products required in the 1990s and beyond. The competitiveness of domestic versus foreign supplies is analysed. The investment requirements and other costs associated with meeting the new environmental legislation and regulations on both refinery products and the refineries themselves are addressed. In particular, the requirements and consequences of the 1990 Clean Air Act Amendments and other environmental, health and safety initiatives, both current and prospective, are evaluated.

Volume II, *General Information Appendices*, contains background information on alternative transportation fuels; environmental legislation; history of US petroleum supply, demand and logistics, 1970-92; history and fundamentals of refining operations; and an environmental operations primer.

Volume III, *Financial and Facilities Appendices*, contains detailed supporting data for the financial analysis; an analysis of the cost of complying with environmental, health and safety regulations in refineries; and the Executive Summary of the Amoco/EPA Pollution Prevention Project report.

Volume IV, *Supply, Demand and Logistics Appendix*, contains detailed data on demand development; the assumptions and results of the logistics modelling; oxygenate supply, demand and costs; foreign environmental requirements; and cost/volume relationship of US and foreign produced products.

Volume V, *Refining Capability Appendix*, contains data on the cost-effectiveness of producing reformulated gasoline and the assumptions and results of the US refining capability modelling.

Volume VI, *Survey Appendix*, contains the forms in the NPC's survey and aggregate survey results for the US.

The cost, per part, is as follows:

Exec. Summary	75pp	\$5.00
Volume I	500pp	\$75.00
Volume II	250pp	\$50.00
Volume III	375pp	\$75.00
Volume IV	1175pp	\$125.00
Volume V	525pp	\$75.00
Volume IV	300pp	\$75.00
Full set of above	3190pp	\$450.00

Contact: National Petroleum Council, ATTN: Publications, 1625 K Street, NW, Washington, DC 20006, USA.

## EFCEE operational

On 5 June 1993 the Executive Committee took the decision necessary to commence the European Foundation for Cooperation in Energy Economics' activities. Ulf Hansen was unanimously elected as its first Chairman and approved the projects to be supported by the Foundation in the second semester of 1993.

The Executive Committee decided that the dissemination of scientific information on energy economics is of paramount importance to eastern European countries and the republics of the former Soviet Union, where energy economists have long been deprived of the results of Western research, and making available publications by the IAEE and recent books on energy economics will prove to be a good investment of EFCEE funds.

Other projects are the institution of a Portuguese affiliate of the IAEE and the 1993 BIEE/IAEE/RIIA Conference (in early December this year). Support for the cooperation between Sussex University and a Technical University in Europe in the field of energy economics was also approved. Details of this programme, which is to extend into 1994, are to be worked out.

Regarding the future activities of the Foundation, especially in 1994, it is stressed that it is the responsibility of the national affiliates to present projects which might be partially funded by the EFCEE. Remembering, however, that the basic responsibility of organizing meetings and conferences for which EFCEE help is sought, remains with the local affiliate, Foundation help can only be supplementary. The EC, our main sponsor, is investing a great deal in this project.

The bulk of financial support for the EFCEE comes from DG XVII, to whom we express our most sincere thanks for the understanding we experienced in negotiating the establishment of the Foundation. In addition, all European affiliates agreed to pitch in a modest contribution of 1 ECU per member. The EFCEE also receives grants from large European corporations active in the field of energy; the Executive Committee will contact the main European organizations of these corporations (Europia, Eurogas and Eurelectric).

The next meeting of the Executive Committee and of the EFCEE General Assembly will take place in London during the first weekend of December 1993, when the 1994 programme will be established.

P. Vander Mieren  
Executive Director, EFCEE

## Future conference venues

The Conference Committee of the US Association have made the following decisions regarding sites of future conferences.

Dallas has been chosen for the 1994 North American Conference. Calgary has been chosen to be the site of the 1995 North American Conference.

The Committee recommend to the International Council of the IAEE that Washington be the site of the 1995 International Conference.

The above details will be confirmed in future issues of the *Newsletter* as arrangements are firmed up.



## Emerging structures in energy industries

### 8th International Energy Conference 6-7 December 1993 Chatham House, London, UK

Structural change is an ever-present feature of world energy industries. As we approach a new century the scale and scope of change taking place has never been greater. In this 8th International Energy Conference key speakers have been assembled to address the major structural developments taking place in oil, gas, coal and electricity industries around the world.

Changes are taking place both by evolution and revolution. The conference will examine the evolving role of national companies in the international oil market; corporate responses to radically changing structures in the major gas markets in the USA, UK and mainland Europe; the evolving structure of the international coal industry; and the new economic models of deregulation and competition being put in place in the electricity sector in both developed and developing countries.

By drawing together an audience from all facets of the energy scene, an active and stimulating debate will take place on the implications which the profound changes taking place now will have for all participants in the energy market in the future.

The conference, convened by The Royal Institute for International Affairs, the BIEE, and the IAEE and sponsored by Coopers Lybrand and Texaco, will include sessions on key areas. Sir Christopher Tugendhat, Chairman RIIA, will welcome delegates and the keynote address will be given by John Jennings, Chairman of Shell Transport and Trading. Sessions include: Forces for change with Peter Davies, Chief Economist BP and Chairman of the BIEE, taking the chair; a session on oil includes Silvan Robinson and Daniel Yergin among the speakers; the session on gas and coal with Cedric Brown, Chief Executive British Gas and Malcolm Edwards; the final session on the internationalization of electricity includes Anthony Churchill, Nigel Evans and John Mitchell (former senior advisor to the Managing Directors, BP and incoming Chairman of the Energy and Environmental Programme at RIIA). The concluding keynote addresses will include Fereidun Fesharaki, President of the IAEE.

This promises to be a stimulating and topical conference and members are encouraged to join the debate in London.

#### FEES:

Members of RIIA/BIEE and IAEE affiliates: £495.00 (£421.28+£73.72 VAT)

Non-Members: £615.00 (£532.40+£82.60 VAT)

Diplomats: £225.00 (£191.49+£33.51)

There are a limited number of concessional places for academics at £160.00 (£136.17+£23.83 VAT)

Conference Dinner at Le Meridien, Piccadilly: £55.00 (£46.80+£8.20 VAT)

Further details from: The Energy Conference, The Conference Department, Chatham House, 10 St James's Square, London SW1Y 4LE, UK. Tel: 071 957 5700; Fax: 071 957 5710.

## The Energy Journal: forthcoming papers

The following papers will appear in the Volume 14, Number 4, 1993 of the *Energy Journal*:

Pipeline Access and Market Integration in the Natural Gas Industry: Evidence from

Cointegration Tests **Arthur De Vany and W. David Walls**

Energy Consumption and Economic Activity in China

**Chuanlong Tang and Sumner J. La Croix**

Deregulation and Common Carriage in the Nordic

Power System

**Kjetil Bjorvatn and Sigve Tjøtta**

Global Warming and Urban Smog: The Cost-Effectiveness of CAFE Standards and Alternative

Fuels **Margaret A. Walls, Alan Krupnick and Carol Collins**

Another Look at US Passenger Vehicle Use and the 'Rebound' Effect from Improved Fuel Efficiency

**Clifton T. Jones**

Appliance Standards and the Welfare of Poor Families

**Steven Stoff**

Short Run Income Elasticity of Demand for Residential

Electricity Using Consumer

Expenditure Survey Data

**E. Raphael Branch**

#### Special Feature: Asymmetric Price Responses:

Are There Useful Lessons from the 1990-91 Oil

Price Shock

**John Tatom**

Oil Prices and Economic Activity: Is the Relationship

Symmetric

**Javier F. Mory**

The Imperfect Price-Reversibility of World

Oil Demand

**Dermot Gately**

Irreversible Efficiency Improvements: An Empirical

Investigation of Gasoline Demands **I.O. Walker and Franz Wirl**

## Transport Policy Call for papers

Butterworth-Heinemann announced the launch of a new international journal which is aimed at bridging the gap between theory and practice in transport policy. All modes of transport are covered, in the context of wider planning, economic and environmental policy objectives. (Published quarterly beginning October 1993.) Contacts:

Editor: Dr Phil Goodwin, Director

Transport Studies Unit

University of Oxford

11 Bevington Road

Oxford OX2 6NB

UK

Tel: (0865) 274715; Fax: (0865) 515194

North American Editor:

Professor Daniel Sperling, Director

Institute of Transportation Studies

University of California

Davis

CA 95616

USA

Tel: (916) 752 7434; Fax: (916) 752 6572

**IAEE 17th Annual International  
Conference  
Stavanger - Norway  
25-27 May 1994  
Energy markets in transition  
Call for papers**

The International Association for Energy Economics will hold its seventeenth annual conference in Stavanger, Norway, from Wednesday 25 May to Friday 27 May 1994.

The general theme of the conference is Energy Markets in Transition. The conference will focus on the rapid changes taking place in the energy markets - with deregulation, privatization and the development of market based systems as predominant features while at the same time coping with stricter environmental controls - and the challenges and opportunities which this creates for the energy industry and for the formulation of energy policies.

If you wish to present a paper, please send a manuscript or an abstract by 1 December 1993 to the following address:

Professor Einer Hope  
Chairman of the IAEE 1994 Programme Committee  
Foundation for Research in Economics and Business  
Administration  
Brevikven 2  
5035 Bergen-Sandviken  
NORWAY  
Tel: (+47 5) 95 95 00; Fax: (+47 5) 95 94 39

Authors will be notified of papers acceptance by 1 February 1994. Final manuscript submission is 1 April 1994.

### **Award for Ikuta**

The President of the Institute of Energy Economics, Japan, Mr Toyoaki Ikuta, was awarded the IAEE Special Award for 'Distinguished Service in Energy Economics and Enhancing International Understanding and Better Communication in the Global Energy Industry'. The award was made at the International Conference in Bali.

After graduation from Tokyo University, Ikuta joined the Ministry of International Trade and Industry (MITI) and served in various positions in planning and conducting trade-industrial policy, not only in MITI, but in other governmental agencies such as the Economic Planning Agency, Defence Agency, Science & Technology Agency and the Embassy of Japan in the Philippines. His last government post was Director General of the Atomic Energy Bureau, Science and Technology Agency. In January 1976, he retired from government service and was appointed to his present post of President of the Institute.

*Kenichi Matsui  
Japan*

**First announcement  
1995 International Conference on  
Energy and Environment  
8-10 May 1995  
Shanghai, China  
Call for papers**

In view of the growing importance of energy and environmental problems encountered in the development and reform of large and medium cities in the world, the conference objective is to provide an international forum for the presentation and discussion of recent R & D relevant to city energy problems, taking into account environmental aspects. The conference is sponsored by the National Natural Science Foundation of China (NFFC); Shanghai Association for Science and Technology and the Shanghai Commission on Energy and organized by the Shanghai Institute of Mechanical Engineering (SIME).

Conference topics will include:

- Energy policy, economics and planning
- Cogeneration and district heating
- Clean energy technology, combustion and alternative fuels
- Pollutant emission and control in the process of energy utilization
- Process integration for energy efficiency and emissions control
- Power plant equipment and auxiliaries
- Total energy system analysis and energy analysis
- Furnaces, Kilns and ovens
- Heat pipes and heat pumps
- Waste management, treatment and re-cycling
- Heat exchangers, heat recovery and heat storage

It is hoped to arrange an exhibition in parallel with the conference and enquiries are invited from potential exhibitors. English will be used for all printed materials, presentations and discussions.

**IMPORTANT DATES:**

- Deadline for submitting abstracts:  
1 April 1994
- Author's notification of preliminary acceptance decision:  
1 May 1994
- Final date for submission of camera-ready final manuscripts:  
1 September 1994

**CONTACT:** All correspondence concerning the conference should be addressed to:

Prof. Zhi-Hang Chen, Conference Chairman, SIME, PO Box 482, 516 Jun Gong Road, Shanghai 200093, Peoples Republic of China. Tel: 86 21 543 5883. Fax: 86 21 543 1258.

### **Apologies to Bali**

We are sorry that this issue does not contain a conference report from the 16th Annual International Conference in Bali, Indonesia. Despite postponing publication dates this was still not available at the time of going to press.

*Nicky France*

**NEWS IN BRIEF****Singapore**

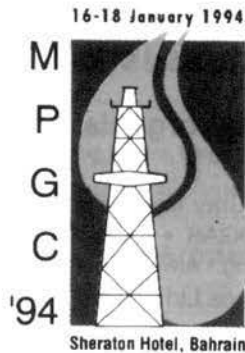
On 20 July 1993, Past President of the IAEE, Dr G. Campbell Watkins and the Immediate Past President, Professor Ulf Hansen, both of whom were *en route* to the 1993 IAEE International Conference in Bali, met with the Protem Committee set up to establish the Singapore Affiliate of the IAEE. The meeting was hosted by the Chairman of the Singapore Petroleum Company, Mr Tan Boon Teik, who is also President of the Protem Committee. Professor Hansen and Dr Watkins gave an hour long synopsis of the IAEE, its objectives and its activities to members of the Protem Committee. Both also answered various queries put to them. The committee members found the meeting extremely useful, and the first-hand accounts of the IAEE by both visitors did much to clarify the role and objectives of country-affiliates in this part of the world. The Protem Committee looks forward to formally establishing the IAEE Singapore affiliate within the next month or so.

*Dr Tilak Doshi*  
Institute of South East Asian  
Studies

**Florida, USA**

A new book, entitled, *Oil and Development in Venezuela During the Twentieth Century* by Jorge Salazar-Carrillo, President of the Florida Chapter of the IAEE will be published at the end of the year by Greenwood-Praeger. This 350-page publication will be distributed through the publishers New York headquarters.

*Paul McArdle*  
US Contributing Editor



## The 2nd Annual MIDDLE EAST PETROLEUM & GAS CONFERENCE

Under the Patronage of His Excellency Mr Yousuf Shirawi, Minister of Development and Industry, State of Bahrain.

**16-18 January 1994, Sheraton Hotel, Bahrain**

This major oil conference is supported by the IAEE and members can attend at a special rate (see below).

The inaugural conference was held in Dubai in 1993 and attended by more than 350 participants including 50 Chief Executives. It will once again bring together industry leaders from the world oil community to examine the Middle East's role in the rapidly changing energy scenario. It will provide an unprecedented opportunity to focus on the pressing global and regional issues that will affect the Middle East oil business environment and political landscape. The Conference Chairman is Fereidun Fesharaki.

As a result of the stagnant and possibly declining availability of non-OPEC oil supplies, the role of Gulf oil-producing countries is likely to increase significantly in the 1990s and beyond. Indeed, the future of the world oil industry is once again going to be dominated by the decisions, opportunities and policy directions determined in the Gulf. At the same time, within the oil-producing nations of the Gulf, there are important underlying structural changes that are taking place. These range from shifts toward market oriented policies, privatization, increasing foreign investment in traditionally closed areas and joint venture possibilities.

Concurrently, important decisions are expected in the area of production capacity expansions, new refinery construction, petrochemicals, natural gas exports and utilization and new ventures in exploration.

**THE AGENDA**

- Regional economic outlook for the Middle East
- US energy policy implications for the Middle East: US government and oil industry perspectives
- Interdependence between the Gulf states and the International oil markets
- Oil and gas supply and demand: stability and growth
- The Asia-Pacific Middle East oil connection
- Outlook for natural gas development
- Growth of downstream potential in refinery operations
- Competition from the CIS oil-producing republics
- Upstream development strategies and production sharing and service contracts
- Crude oil pricing and trading in the Middle East, Far East, USA and the European Community
- Upstream-downstream reintegration abroad
- Funding and financing energy development

**SPEAKERS INCLUDE:**

Fereidun Fesharaki (Director, Program on Resources, East-West Center, Hawaii and President, IAEE); H.E. Yousuf Sharawi, Minister of Development and Industry, State of Bahrain; Cyrus Tahmassebi (Chief Economist, Ashland Oil Inc, USA); Herman Franssen (Economic Advisor to H.E. the Minister of Petroleum and Minerals, Oman); Andrew Kukushkin (Vice President, LPI Consulting Inc, Moscow, Russian Federation); Guy Caruso (Director of Non-Member Countries, International Energy Agency, France); Silvan Robinson (Chairman, Energy and Environmental Steering Committee, RIIA, UK); Joe Roeber (President, Joe Roeber Associates, London, UK); Dennis O'Brien (Chief Economist, Caltex Petroleum Corporation, Dallas, USA).

CONTACT: IBC Technical Services Ltd, 545 Orchard Road #12-01 Far East Shopping Centre, Singapore 0923. Tel: 65+732-1970; Fax: 65+733-5087. IAEE members pay the discounted fee of \$1080.00.

## Commercial and environmental objectives

### Economic instruments or administrative action?

BIEE seminar

Chatham House, 21 April 1993

The discussion was opened by Dr John Rhys (NERA) whose main points can be summarized as follows:

1. The main issue is whether one believes in the effectiveness of prices and markets as against rules, administrative measures and subsidies.
2. Economists brought useful concepts to bear, including: internalization of negative external effects; limits to property rights on natural resources; concern with efficiency and optimality; transactions costs; institutional and regulatory economics.
3. General principles include: prices should reflect costs including externalities/social costs; taxation should be preferred to subsidy; use of tradeable permits should be encouraged; care must be taken to avoid perverse incentives from regulation.
4. There should be a general preference for economic instruments, particularly in view of the effectiveness of prices in influencing supply and demand in the most efficient way, while at the same time reducing the 'politicization' of issues. For example, efficiency arguments favour trading to calculate the true value to producers of being allowed to emit.
5. However, there are circumstances which may limit the efficacy of economic instruments and thereby create a preference for administrative action. These include: where the incremental transaction costs of markets are excessive; when the distributional effects of reliance on markets are not politically tolerable; where markets are 'imperfect' or distorted, and results are wanted quickly.
6. There are several issues where a more 'economic' approach would be beneficial: acid rain abatement; demand-side management; global warming.

Mr Larry Ruff (PHB), in responding to Dr Rhys, drew on American

experience which provided many examples both of regulatory perversity and the opportunities for economic instruments. Problems arose from fixing precise emissions limits (given the scientific uncertainty). Pragmatically, a better way was often to specify an emission charge and see what could be achieved in emissions reduction. Some of the points made in subsequent discussion were:

- (i) A major problem of reliance on tax (rather than subsidy) was the regressive effect.
- (ii) The approach to economic instruments would depend on whether the abatement cost curve and/or the damage cost curve were thought to be smooth or stepped. There was no easy way to find out.
- (iii) The problems of measurement (which will be the subject of a future seminar) pervaded the discussion. This affected not only the shape but the level of the damage and abatement cost curves.
- (iv) There was a need to distinguish between different levels of environmental impact - local, national, trans-national. There was no single set of damage and abatement cost curves.
- (v) There was a logical need to distinguish between economic analysis used to set environmental targets/objectives and economic instruments employed to achieve those objectives. The former was often relatively neglected and subject to political *fiat*.
- (vi) There was a need for environmental objectives to be transparent and justified. But there was probably no escape from the 'best possible advice' syndrome. This suggested a pragmatic 'trial and error' approach.

M.J. Parker  
BIEE

### Publications for developing countries

Teaching and research in African universities is seriously hampered by the unavailability of learned books and journals. The Ranfurly Library Service (Patron, the Duke of Edinburgh), 2 Coldharbour Place, 39-41 Coldharbour Lane, Camberwell, London, SE5 9NR is operating the International Campus Book Link (a project funded by the ODA and supported by Barclays Bank) to help remedy the gap. If any member or their institution is pruning their library, this

would be an excellent opportunity to share our specialist publications. Contact the Ranfurly Library Service at the above address.

Looking further afield, the International Network for the Availability of Scientific Publications (INASP) which is supported by the European Commission and UNESCO, constitutes a 'clearing house' to facilitate and encourage the publication, distribution and exchange of scientific literature. It aims to advise people who want to set up donation and distribution schemes about logistics and identification of overseas partners. With the help of two referral databases, one on donors and one on 'recipients' it tries to match institutions with both groups. It can also assist in finding ways of having literature sent to places other than Africa.

INASP tries to link people to 'local' donation programmes, if at all available, and is in itself not a donation programme. Contacts can be made through: Ard Jongsma, INASP, PO Box 2564, London W5 1ZD, UK. Tel: (4481) 997 3274; Fax: (4481) 810 9795.

Jane Carter  
Vice President, BIEE

### Change of address

IAEE Vice President and Secretary, Kenichi Matsui (Vice President of The Energy Data and Modelling Center) would like to draw your attention to his change of address at The Institute of Energy Economics in Japan. New details are as follows:

Kenichi Matsui  
Vice President  
The Energy Data and Modelling Center  
Shuwa-Kamiyacho Bldg. 10F  
4-3-13 Toranomom  
Minato-ku  
Tokyo  
JAPAN 105  
Tel: 81-3-5401-4341  
Fax: 81-3-5401-4350

### Publications

*Active Sollar Systems* ed by George Lof, MIT Press, 55 Hayward Street, Cambridge, MA 02142, USA, 1993, pp825, US\$75.

*Cars and Climate Change*, OECD Publication and Information Center 2001 L Street, NW, Suite 700, Washington, DC 20036-4910, USA, Tel: (202) 785 6323, 1993, pp350, US\$60.

*Deliverability of Natural Gas in the United States, Is the Data Reliable?*, The US



Department of Energy, Office of Fossil Energy, (DOE/FE-2058P), Tel: (202) 586 6503.

*Energy and Environment in European Countries in Transition: Priorities and Opportunities for Cooperation and Integration*, Conference Proceedings, OECD Publication and Information Center 2001 L Street, NW, Suite 700, Washington, DC 20036-4910, USA, Tel: (202) 785 6323, 1993, pp278, US\$53.

*Energy Efficiencies in Asian Countries*, OECD Publication and Information Center 2001 L Street, NW, Suite 700, Washington, DC 20036-4910, USA, Tel: (202) 785 6323, 1993, pp160, US\$33.

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*Sectoral Energy Demand*

*Studies: Applications of the End-Use Approach to Asian Countries*, United Nations, Sales Section, Room DC2-0853, Dept 910, New York, NY 10017, USA, Tel: (800) 253 9646; Fax: (212) 963 3489, pp80, US\$15.

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*The Management of OPEC's Financial Surpluses* by Goran Bergendahl, The European Economics and Financial Centre, PO Box 2498, London W2 4LE, UK, 1993, Tel: 44 71 229 0402; Fax: 44 71 221 5118, pp160, £40.

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42nd Street, New York, NY, USA, 1993, pp200, US\$50.

*Valuing the Earth: Economics, Ecology and Ethics* ed by Herman Daily and Kenneth Townsend, MIT Press, 55 Hayward Street, Cambridge, MA 02142, USA, 1993, pp384, US\$37.50 (cloth), US\$18.95 (paper).

*World Energy Outlook*, OECD Publication and Information Center 2001 L Street, NW, Suite 700, Washington, DC 20036-4910, USA, Tel: (202) 785 6323, 1993, pp78, US\$28.

*Indicators of Crude Oil Production Costs: The Gulf versus Non-Opec Sources* by Thomas R. Stauffer, The International Research Center for Energy and Economic Development, 909 14th Street, Suite 201, Boulder, Colorado 80302, USA, Tel: (303) 492 7667; Fax: (303) 442 5042, 1993, pp23, US\$10.

## Calendar

**29-30 November 1993, Cape Town, South Africa:** Sub-Saharan Oil and Minerals. Investment conference co-hosted by Europe Energy Investment, Gabonese Ministry of Mines & Energy, Sonangol & SA Chamber of Mines. Contact: EEE in London, Tel: 44 71 493 4918; Fax: 44 71 355 1415.

**29 November - 3 December 1993, Victoria, Australia:** Natural Gas, The Commercial Challenges. Contact: Anita Gardiner, The Alphanatia Partnership, Alphanatia House, 82 Rivington Street, London EC2A 3AY, UK. Tel: 44 71 613 0087; Fax: 44 71 613 0094.

**6-7 December 1993, London, UK:** 8th International IAEE/BIEE/RIIA Energy Conference, Emerging Structures in Energy Industries. Contact: The Energy Conference, The Conference Department, Chatham House, 10 St James's Square, London, UK. Tel: 071 957 5700; Fax: 071 957 5710.

**16-18 March 1994, Florence, Italy:** 4th Internatl Conf - New Design Frontiers for More Efficient, Reliable and Ecological Vehicles. Contact: Florence ATA, Dipartimento di Meccanica e Tecnologie Industriali, Via S Marta, 3-50139 Firenze, Italy. Fax: 39 55 479 6394.

**25-27 May 1994, Stavanger, Norway:** 17th IAEE International Conference. Contact: Odd Anker Hassel. Tel: 47 2 531034. Fax: 47 2 534308.

**15-17 August 1994, Espoo, Finland:** Sixth International Conference on Thermal Energy Storage. Contact: Helsinki University of Technology, Tel: (358-0) 451 3193.

## IAEE Newsletter

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