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Weighing the cost of short-term expedients against long-term necessities

After the Ukraine war, supply chain interruptions and inflation, there is paralyzing uncertainty about what will happen next



- Many governments are faced with mounting anger from consumers as energy bills surge and inflation heads to levels not seen in decades. | REUTERS

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The four new scourges — inflation, food shortages, fuel poverty and the fear of escalating war — are now spreading like the four horsemen of the apocalypse to almost every corner of the planet.

Behind them lie a tangle of causes, of which impossibly high energy prices — born of a staggering lack of political preparedness — are certainly one. But this now combines with Russia's brutal Ukraine invasion, widespread supply chain interruptions and general paralyzing uncertainty about what is going to happen next — for instance, if Russian President Vladimir Putin impatiently uses a nuclear weapon to crush the Ukrainians — and where it might lead.

Confounded by all these new dangers, and unable to see any immediate solutions, or even alleviations, most governments around the world have resorted to reassuring statements about the longer term and how measures will be taken — in due course — to see it never all happens again.

But the more this attempted reassurance is offered to desperate publics, the clearer it becomes that the world's policymakers are caught in a dreadful confusion. That confusion is between short-term expedients and long-term necessities. It is between the imperative now of easing price pressures bringing real suffering to a third of the world's population, and the avoidance of looming climate catastrophe as green gases continue to balloon.

No country is spared the impact, or the dilemma. Some aspects of globalization may be in retreat, but when it comes to energy prices, feeding directly through to every facet of modern living, inflation knows no national boundaries. Japan's sudden increase in electricity prices by 20% in the month of March alone is proof enough of that.

But perhaps the most vivid illustrations of the head-on conflict between short-term and long-term priorities are to be found right now in the United Kingdom and also in the United States.

In the United Kingdom, the government is faced with mounting anger as consumer energy bills surge and inflation heads to its highest levels in 30 years. Small cushioning subsidies are being aimed at poorer households, overlooking that almost the whole population, including all middle-income groups, feel under intense living standard pressures.

Only the top, say, 10%, of the well-off can afford to feel immune. Each new wave of price pressure forces the official price cap, which exists on consumer bills, to be adjusted upwards. As new misfortunes crowd in, such as Russia's latest cut-off of gas supplies to Poland and Bulgaria, who refuse to pay in rubles, price surges continue all round in the gas market and another adjustment increase has to be made.

Industry leaders forecast “a horrific autumn” as the next ugly wave of further big increases rolls toward us.

Faced with having very few ideas on how to ease the present pain, the official reaction has been to offer long-term thinking. A new so-called Energy Security

Strategy titled “Secure, clean and affordable British-energy for the long term” has been published.

The strategy includes the promise of a string of new large-scale nuclear power stations, many more wind farms, incentives to better insulate homes and generally use less energy. All are admirable but will take years to implement thoroughly — in the nuclear case between 12 and 20 years, if ever. And the plan offers almost nothing immediate to help out agonized households who may have trouble covering extra costs or who could have to radically alter their lifestyles in the very short time frame available.

The whole stance is backed by a vociferous chorus of green experts — powerful political voices which the government leaderships in Europe or the United States dare to offend. The result is that the one obvious short-term strategy that would really bring down fuel prices, and many aspects of inflation sharply and quickly with them, hardly gets openly mentioned.

This would be quite simply to match more demand with more supply, meaning quickly producing more oil, extracting more gas and mining more coal — all of which are plentiful — and expeditiously shipping the extra output to the high demand markets. Both the Middle East, Australia and the United States itself have spare capacity available, or at worst only months away.

Even just the news that this strategy was being tried would cause a drop in oil and petrol prices, themselves major inflation drivers in the fuel, food and transport chains. World gas prices would ease, as would electricity costs. Since Russian oil and gas would still have to be sold somewhere, presumably heavily discounted in Asia, the world could surprisingly soon be seeing again the old familiar pattern of world oil and gas surpluses.

But — and there is a big “but” — all this is being greeted with horror by true green campaigners who insist on an end to more fossil fuel output, seeing it as a direct threat to their future climate aims. They will not, or cannot, distinguish between the two completely different time frames. This leaves current political leaders uneasily facing both ways. Only yesterday, for example, U.S. President Joe Biden was in full support of net-zero carbon programs, almost regardless of cost. Now the U.S. president, like other leaders, suddenly sees the immediate need to call for a ramp up of Middle East oil production, more American shale gas and oil exports, more Australian gas output, as well as increases from the North Sea and every other oil and gas producing province — a stance reversal that will please no one and bringing fury from all sides.

The greens who were promised a rapid exit from all fossil fuel use feel betrayed. The millions of consumers and families who are close to freezing, starving or bankruptcy — or all three — feel even more betrayed.

The same confusion runs through the OPEC leaders’ minds. As long as they remain reluctant to pump more oil, with their weak excuses not to do so, giant economies like Germany have to go on drinking and paying for Russian gas and oil. The Persian Gulf producers are thereby ensuring that Putin’s war crimes and murder of civilians in Ukraine continue to be financed — an appalling moral position.

Pressure on them to see the consequences of their unfriendly stance should be relentless.

Instead, there will be more excuses, more misguided green anger, more muddled politics and more government cowardice and hesitation in facing a frightened populace and explaining the true situation.

In history, it has been food shortages and crushing poverty that invariably led to mass political unrest and violence — and direct threats to democracy.

The overwhelming need stands out now to make crystal clear the distinction between climate action for the future and vital emergency needs this very moment. Failure to manage and explain this conundrum will not only leave present misery, and the anger going with it, untouched but put the goal of an eventually decarbonized world still further out of reach than it is already.

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