

[Perhaps DECC would like to do their sums again?](#) [1]

Written by [Tim Worstall](#) [2] | Tuesday 3 January 2012

There's been various amounts of head scratching around the place as DECC says that renewables will be cheaper than fossil fuels in the future. Even though we know that each of the individual elements that make up the renewables path are more expensive than each individual unit in the fossil fuel path. Which is really very puzzling indeed, that the whole is less than the sum of the parts.

Over and above the various problems that I and others have noted elsewhere, there's this that has me confused [too](#) [3]:

Natural gas for February delivery settled Friday at \$2.989 per million British thermal units, the lowest closing price for the commodity since September 2009. It closed below \$3 in the winter for the first time in nearly a decade.

This is the result, of course, of the US practice of fracking for shale gas. And we know that the UK has vast reserves of this, underneath and around Blackpool. Decades at least of supply, if not a century or more.

Now, I've looked around the [DECC spreadsheet](#) [4] trying to find the price assumptions they make about natural gas and other fossil fuels. And I'm afraid I just can't find it, just can't find it at all. Cannot see what prices they have assumed, whether they've got a version that deals with the implication of having lots and lots and lots of very cheap natural gas or not.

And I have a very strong feeling that that is one of the possibilities that they should tell us the results of. For they are telling us that whatever we do is going to cost £200 billion or more in the coming years, £5,000 per year per household. And we know that building gas fired power stations is cheaper than almost any other form of energy generation. So if we are floating on that much gas and we can get it for something like the American price, might that not reduce the costs per household?

Don't you think we ought to be told? After all, yes, fracking causes earthquakes, small ones and this might be vaguely detrimental to life as it is lived in Lancashire. But what if it saved us, say, £100 billion?

Well, what is Lancashire worth then?

I can't prove or show anything because I cannot find the crucial assumptions. But I do have a feeling in my water that if we were to rerun these calculations with reasonable assumptions, like, say, that we've as much if not more natural gas than the US does, then we might find that renewables really aren't an option that anyone would go for. Which, if I were cynical enough, might be why that calculation isn't presented to us.

[blog comments powered by Disqus](#) [6]

Source URL: <http://www.adamsmith.org/blog/perhaps-decc-would-like-to-do-their-sums-again>

Links:

[1] <http://www.adamsmith.org/blog/perhaps-decc-would-like-to-do-their-sums-again>

[2] <http://www.adamsmith.org/taxonomy/term/5778>

[3]

http://online.wsj.com/article/SB10001424052970204720204577130482684060876.html?mod=WSJEUROPE_hpp_sections

[4] http://www.decc.gov.uk/en/content/cms/tackling/2050/calculator_exc/calculator_exc.aspx

[5] http://disqus.com/?ref_noscript

[6] <http://disqus.com>