

Energy – The Perfect Storm

The global credit crunch and recessionary concerns are today's 'top of mind' economic concerns. However, a longer term view points to another major risk on the horizon.

Three colliding fronts – environmental forces, energy supply and security threats – are creating *A Perfect Storm* that has the potential to destabilize economies around the world for many years.



Climate change and the accelerated pace of global warming points to increasingly plausible scenarios of environmental collapse, sea level rise and a host of impacts on weather, agriculture and natural cycles. Countries, cities and companies may not have the capacity to adapt to the scale and speed of such changes.

So far, businesses and consumers have been able to cope with the rising cost of oil prices as prices approach \$100 a barrel. The medium term trend lines are though quite transparent: availability of supply will become an economic bottleneck as prices of major fossil fuels continue to rise. The world is not running out of oil, but more and more of the world's remaining supply will be more expensive to extract and ship to markets.

The World faces challenging times as cultures clash, competition for resources heightens and tribal differences arise, again. All of this makes our new reality security-infused. It's alarming to observe that key oil regions are in security-sensitive areas such as Iraq, the Gulf and Venezuela. Terror risks to commodity transport are potentially huge. The *Global Risks Report* published by the World Economic Forum with Citigroup, Marsh and McLennan, Swiss Re and the Wharton School tracks 23 core global risks, including energy security and climate change. The 2007 Report concludes that risks have substantively worsened over the past three years, largely attributable to a triad of energy-environmental-security issues.

When mariners encounter weather conditions such as *A Perfect Storm*, they change course, fast! The logical option for the economies of Canada and the World is to de-pressurize environmental, energy and security forces, and steer them in different directions.

The only response that combats all three fronts is charting a sustainable energy course that emphasizes: energy conservation; more efficient production/consumption of fossil fuels (mitigating for environmental impacts); development of renewable sources of power and fuels; and the ingenuity of markets and entrepreneurs to develop more cost effective and robust clean energy solutions.

Logical yes: simple, no. Multiple and daunting challenges arise as the Canada and the World transitions to a sustainable energy future that reflects carbon realities and limitations to fossil fuel supply. The Devil is all in the details.

That's where SEE (Sustainable Energy Executive) Insight comes in. *SEE Insight* will provide commentary, market intelligence and perspective about how to make a *Course Correction* towards a sustainable energy future. *SEE Insight* will be fact-based and value-additive: focusing on specific ways in which key economic sectors, technology solutions and capital investment can re-position away from the *risks* inherent in an *Energy Perfect Storm* towards the commercial *opportunities* present in a sustainable energy economy.

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SEE Insight is complementary, available for download from www.lumosenergy.com and sent monthly to an influential group of clean energy, business, environment and public policy leaders. SEE Insight serves to invigorate Canada's sustainable energy dialogue.

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