The Tara Foundation magazine

July 2006

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Editorial July 2006

This month the Bank of Ireland embarked on one of its occasional flights of rapture on how wonderful things are. It seems they are so wonderful, in fact, that if all the capital which accrues to foreign multinationals in the form of tax-breaks, to banks in the form of profits, and to the property industry in the form of state subvention were miraculously distributed among the people, like the miracle of the loaves and fishes in Matthew's Gospel, then every man, woman and child in Ireland would find his or herself the grateful recipient of 150,000 Euro. Because the Bank of Ireland considers that this would indeed be a sign of impressive prosperity, it must therefore be the case. Similarly, the Bank believes, because Irish people are among the most indebted in the world they are also by the same token the most prosperous in the world. People are so in debt because much of this debt is owing to the need to have a roof over one's head, a result, in turn, from the massive inflation in land and property prices created by property speculation corrupt land rezoning deals, and the squandering of infrastructure funds. But, says the Bank, in an exercise of that sleight of hand so beloved of accountancy and consultants' firms and euphemistically referred to as "creative accounting", debt is not debt at all but credit, because all this borrowing is being used to fund the property industry, and as long as the property industry is being funded, all is well with "the economy". This is not quite accurate: borrowing also funds the international finance industry, including banks and building societies (which today are all merely subsidiaries of huge multinational groups) as well as their legion associated accountancy and consultancy partners, estate agents, auctioneers and other middlemen, and it is no surprise that from the perspective of an interested party huge levels of debt make everything rosy for that bank's prospects. But demand for housing is not producing a commensurate supply.

At the same time as the Bank of Ireland was issuing its words of reassurance, another report was released by the Ulster Bank, which received considerably less attention. According to this report, the Irish economy as a whole depends for its existence on the boom in civil engineering projects, one which, contrary to the general impression, is not being created by entrepreneurism and general get-up-and-go-ness, but in fact depends for its survival on State funding. The input of State capital into housing projects in fact lags far behind its contribution to road projects, private hospitals and commercial enterprises. Indeed, as our piece on Public-Private Partnerships in this edition points out, this arrangement, so far from plunging private contractors into the same situation as private individuals who borrow from financial institutions, the contractors enjoy a special status in a PPP agreement with the State. This allows them to secure ontrol every aspect of the contract, from materials expenses to labour conditions, and to withhold essential features of the contract from State supervision under the pretext of commerical confidentiality, while being protected from unwelcome legal or financial consequences should the arrangement go wrong: the continuing engineeering problems with the Dublin Port Tunnel, unexpected failure of track materials in the Luas rail project, and the resurfacing of large areas of the N4 are all instances where the State has had to pick up the tab for the incompetence of the contractors.

Huge debt levels in the general population and in the form of State borrowing, which are concealed, as the periodic announcements of “budget surpluses” are produced, with the deft use of accounting tricks, is a problem which is certain to come to the fore when the party which private firms are now enjoying comes to an end. But there is a potential snake in the grass for the entrepreneurial spirit also. In the next edition, we will be visiting the issue of “odious debt”, a principle of international law whereby a debt owing for a project (or projects) can be declared null and void if it can be established that criminal conduct was engaged in by the parties to the contract.

Controversy aside, when one considers the dubious circumstances surrounding the prestige projects promoted by the State in recent years, the prospect of an invocation of the principle of odious debt presents a real threat to the boundless health of private finance.

News Round-Up

Cassells advises Shell pipeline re-routing

27 July 2006

RTÉ News has learned that independent mediator Peter Cassells is to recommend the re-routing of the gas pipeline running through the Rossport area of Co Mayo.

A report to be published by Peter Cassells will urge Shell urge to 'modify the proposed route of the pipeline to address the concerns of residents in the area'.

Mr Cassells was appointed to the role of mediator by the Minister for the Marine and Natural Resources, Noel Dempsey.

http://www.rte.ie/news/2006/0727/corrib.html

Dublin Port Tunnel to remain closed

27 July 2006

Persistent leaks have put the opening of the €800m Dublin Port Tunnel on indefinite hold.

The project is now more than two years overdue and it has missed at least four separate completion deadlines.

But the National Roads Authority (NRA) insisted yesterday: "It will take as long as it takes." More Details from Irish Independent Article:

http://www.unison.ie/irish_independent/sto...&issue_id=14413

CAB blocks sale of €60m parcel at Carrickmines

27 July 2006

THE Criminal Assets Bureau has blocked the sale of a multi-million-euro parcel of land at Carrickmines in south Dublin.

The land has featured in the Mahon Tribunal.

Now the possibility of any resale of the land, which soared in value after a controversial rezoning decision, has been prevented by the High Court.

A so-called freezing order was granted which prevents any sale.

The order was sought by CAB after a lengthy investigation into suspected breaches of the Proceeds of Crime Act.

The court heard that the total value of the 107 acres in Carrickmines, Dublin - if they had continued to be zoned agricultural - would have been around €7.9m.

But after rezoning to industrial, 17 acres alone were immediately valued at €61m.

The land was owned by Jackson Way Properties Ltd.

http://www.unison.ie/irish_independent/stories.php3?ca=9&si=1660202&issue_id=14413

Carrickmines M50 appeal is dismissed

25 July 2006

The Supreme Court has dismissed an appeal in relation to the Carrickmines works on the southeastern route of the M50 in Dublin.

The works were completed last year, and the motorway opened, but the appeal had been continuing its passage through the courts.

The case was taken by Dominic Dunne against the Minister for the Environment and Dún Laoghaire-Rathdown County Council.
Advertisement

Mr Dunne occupied the Carrickmines Castle site in 2002.

It was argued that Section 8 of the National Monuments (Amendment) Act 2004, which introduced a special provision in relation to completing the M50 at Carrickmines Castle, was unconstitutional.

It was further argued that the 2004 Act contravened EU Directives, and that even if the Act did not, the Minister's decisions did.

The Court unanimously rejected all the grounds of appeal.

http://www.rte.ie/news/2006/0725/carrickmines.html

McDowell to seek Oireachtas approval over prison

Paul Reynolds, Crime Correspondent, reports that, despite ongoing protests, Justice Minister is pressing ahead with plans to build a prison at Thornthon Hall in north Dublin

http://www.rte.ie/news/2006/0727/6news.html

(Watch video to see McDowell state that he is to get the Oireachtas to force the plan through so that *there will be no opportunity to appeal to the European Courts*.)

The Sakhalin II Scandal

Another Charge for Shell's Rap Sheet

In the Corrib gas scandal, Royal Dutch Shell, a British company, were given the unprecedented right to seek an injunction against Irish citizens to prevent their blocking access to their own land for Shell employees. Sakhalin, an island off the eeast coast of Russia, has also been the subject of considerable attention at the hands of Shell and Exxon, both of which posted record profits for 2005: Shell as being the most lucrative British-owned corporation, and Exxon as the most profitable corporation in the world.

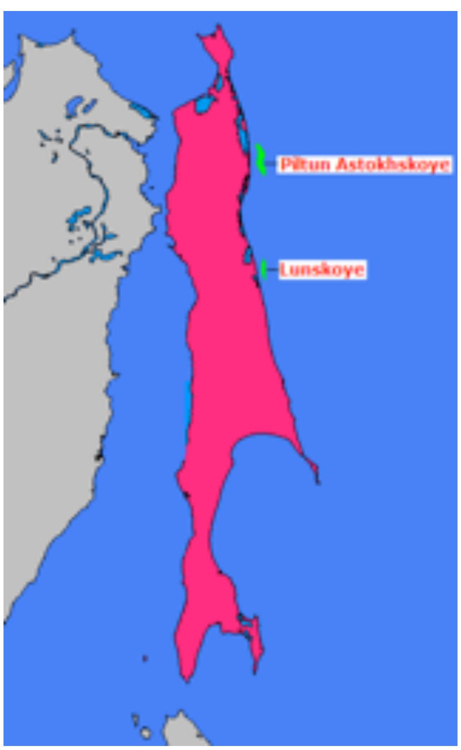


Image source: Wikipedia.org

There are two projects underway at Sakhalin. In addition to Sakhalin 1, the oil extraction project run by Exxon which has already seen conflict between the company and the inhabitants, including the blockade of over 100 heavy vehicles in January 2005, there is Sakhalin II, the extraction of oil and gas at sea for onshore processing. Sakhalin 2 is run by the Royal Dutch Shell subsidiary Sakhalin Energy, in which it holds a 55% stake (non-controlling interests being held by Mitsui and Mitsubishi). The European Bank for Reconstruction and Development (EBRD) and the Export Credit Agencies (ECAs) of the UK, US and Japan may provide funding of up to 5 billion dollars for Sakhalin II.

The Sakhalin waters contain some of the richest fishing waters on the Pacific Rim and a salmon fishery unequalled anywhere in Russia, and are home to the most endangered gray whale population in the world, as well as eleven other endangered species. The project is proceeding despite considerable difficulties and dangers, including a high rate of seismic activity, ice, storms and fog. Despite the issue of an independent report from industry experts in 1999, entitled "Sakhalin's Oil: Doing it Right", containing 78 specific recommendations, including basic ones such as mandatory tanker routes, increasing monitoring of tanker traffic, notifications to fishing vessels if taanker trafffic is in the area, and increased spill prevention and response measures, Sakhalin Energy have failed to act. As a result, Sakhalin and Hokkaido remain vulnerable to a catastrophic spill, all the more likely given the increased tanker traffic with the advent of phase II.

Shell's Sakhalin II envisages the laying of over 400 km of onshore pipeline, which will be trenched directly through salmon streams, and the construction of the world's largest natural gas facility. As in the Corrib project, global best practice for safety and environmental standards will not be adhered to. As in Corrib, the proposed benefits for the native economy will be far less than promised, as a result of corporation-friendly tax laws. While under Ireland's energy regime, oil and gas corporations can claim their entire expenditure back from the exchequer against tax, back-dated 25 years, in Sakhalin the operation is run from a tax-free shell company in the Bahamas. As in Corrib, an environmental disaster looms large on the horizon, as Shell has demonstrated its total unwillingness to implement the most basic safety measures despite its huge revenues. As in Corrib, the people of Sakhalin are being asked to live with a gun to their heads.

It is a sad truth that the politics of both countries are so debased as to endorse projects that will result, bluntly put, in the theft of natural resources which are the common property of the people. So far from any benefit accruing as a result of these projects, all the risk is borne by the taxpayers of these states, and all the benefits accrue to Shell and their associates and helpers. It is no wonder then that the inhabitants, who if these projects proceed as planned will have to live every day with the real and present threat they pose to their lives and livelihoods, have lost all confidence in their elected representatives. Having been betrayed and sold out by governments that claim to rule in their best interests, they have every right to stand up and oppose measures imposed in defiance of their right to live at peace.

The Dunquin Oil Giveaway and the Blaskets

The Blasket Islands (source http://www.irishislands.info/blaskets.html)

The exclusive licence granted by the Government to explore and exploit the extensive gas and oil fields to Providence Resources and a Scottish based company, Sosina Exploration, for the deepwater Dunquin oil and gas exploration prospect, commenced in February 15th 2004. [1] Initial testing has indicated extensive gas and oil deposits at two locations: Dunquin North and South. The areas together are approximately 200 kilometres off the Blasket Islands the prospect itself lying in 1600 metres of water. [2]

Providence is 45% owned by Tony O' Reilly, proprietor of Irish Independent Newspapers (INN), granting him a 7.2% stake in the Dunquin venture, which could be worth up to €20 billion. His son, Tony O' Reilly Jnr., is Chief Executive of the exploration company. Providence Resources has estimated that Dunquin potentially contains 25 trillion cubic feet of recoverable natural gas and over 4 million barrels of oil. This is a large find, by any comparable international standard. [3]

In February 2006, Providence and Sosina signed a farm-out agreement with Exxon Mobil, the world's largest oil and gas company. The terms of the farm-out agreement provide for Exxon Mobil to conduct the substantial exploration work on the prospect, in return for 80% ownership of the Dunquin Prospect. Providence therefore retains a 16% interest and Sosina a 4% interest respectively. This assignment of the interest to Exxon Mobil is subject to Irish Government approval. [4]
Tony O'Reilly Junior stated in a press release that "Partnering with Exxon Mobil to open up a potential new hydrocarbon province is enormously exciting and heralds a new era for offshore Ireland. We applied for the Dunquin licence in the belief that the geology indicated a very serious prospect." The chief executive of Exxon Mobil also (justifiably) expressed his elation: "Dunquin is a welcome addition to ExxonMobil's large and growing portfolio of deepwater acreage," said Tim Cejka, President of ExxonMobil Exploration Company. "This prospect covers a large and unexplored area that will take several years to fully evaluate. We look forward to working with our co-venture partners to apply the latest evaluation technology to determine its ultimate resource potential." [5] [6] [7] [8]
The Government, acting through Minister Noel Dempsey, welcomed the signing of the agreement, citing the new 'security of supply' for oil and gas, he stated: 'The Porcupine area is one of the most potentially promising areas off Ireland's coast and I am pleased that this agreement will lead to its further exploration', the Minister said.

'The discovery of either gas or oil, in this area would be of benefit to Ireland. If the recent crisis in Russia has shown us anything it is that security and access to indigenous sources of energy are vital for our national interests,' he added. [9]
The Providence licences were issued in February 2004, by the aforementioned Minister for Communications, Marine and Natural Resources, Noel Dempsey. The first of these new Frontier Exploration Licences contains two exciting discoveries - a large gas condensate field known as 'Spanish Point' (IRL35/8-2), as well as a tested oil discovery known as 'Burren' (IRL35/8-1). The 'Spanish Point' discovery was made by Phillips Petroleum in 1981. Post-well analysis by

Phillips indicated that the structure could contain up to 1.1 TCF (Trillion Cubic Feet) of gas and 112 MMBO (Millions of Barrels of Oil) recoverable.

The second licence is located in the South Porcupine Basin and contains a super-giant deepwater exploration target termed 'Dunquin'. The presence of hydrocarbons at 'Dunquin' has been indicated both from seismic soundings directly over the prospect as well as from seabed gravity cores overlying the structure.
It is noteworthy that, when compared with 'Spanish Point', Shell's recently announced 'Corrib' field development, situated in a similar water depth and distance from onshore gas infrastructure, is thought to contain a comparable -1.0 TCF of recoverable gas. [10]
To return to the Dunquin field, Exxon-Mobil would seem to be at a slight disadvantage, in that they have what is known as a "carried interest" in the licence, meaning that it bears all the costs in return for the 80% stake. However, under the current (1992) licensing arrangements, the oil companies have effective ownership of any oil and gas that they locate. The State gives up its ownership rights with the oil corporations simply paying 25% tax on their profits. However, before they pay a cent, they can write off *all exploration and development costs*, and the estimated costs of closing down the wells themselves, when that is done at some unspecified point in the future. It has been estimated that many finds will be at least half depleted before the State can claim any tax revenue. This would seem to be a challenge to the very concept of national sovereignty itself: the right of a country to tax its own resources. It has to be emphasized that there is no obligation upon oil/gas corporations to land Irish resources in Ireland. The oil/gas can be directly piped into tankers and shipped to the UK or US. Exxon-Mobil, therefore, are effectively acquiring a potentially huge block of gas and oil resources at a knock-down price. Providence Resources here have simply acted as a facilitator for Exxon-Mobil, playing the role of the entrepreneur, and gaining the vital concession from the Irish government, while the large US corporations waited in the wings.

The Exxon-Mobil Group is the largest non-state owned corporation and the biggest oil corporation in the world. [11] It was formed through the merger of the Exxon Corporation (so-named in 1972), and Mobil Oil Corporation, though both companies enjoyed extensive connections throughout their respective histories. Last year, profits reached net profits of $36.1 billion, or $33.9 billion excluding special items. That is, $1,146 dollars a second. [12] [13] [14] Exxon-Mobil has extensive connections with Shell Oil in the UK, in the area of joint ventures in exploration, with Shell as the direct operator, while Exxon remains in the background. [15] Exxon began as Standard Oil in 1870. It was founded by John D. Rockfeller and associates. By 1878 it controlled 95% of US oil refining capacity. In 1882 the Standard Oil Trust was formed. It was the first trust ever created and was developed to circumvent Ohio laws restricting ownership out of state companies. In 1890 the Sherman Antitrust Act was passed in response to Standard's monopoly. In 1911 the US Supreme Court broke up the Standard Oil trust into 34 different companies. However, the ownership group remained as before. Two of the companies were Jersey Standard and Socony, (New York), the chief predecessors of Exxon and Mobil, respectively. They then proceeded to expand their world-wide interests. Others were Standard Oil of California (Chevron), Standard Oil of Ohio (Sohio), Standard Oil of Indiana (Amoco), Continental Oil (Conoco), and Atlantic Oil (ARCO).

By 1941 Standard Oil of New jersey was the largest oil company in the woreld, controlling 84% of the US petroleum market. (Thistle: The Thistle: Volume 13, Number 2: Dec., 2000/Jan., 2001. [16] Its bank was Chase and its owners were the Rockfellers. J.D. Rockfeller always argued that two things were essential to the survival of the oil industry: checking "ruinous competition" and "cooperation." After the Rockfellers, the next largest stockholder in Standard Oil was I.G. Farben, the German chemical cartel. This investment was part of reciprocal investments between the U.S. and Germany during the Nazi years. Huge investments were made in Germany during the Great Depression. (Ibid). I.G. Farben, so central to the German Final Solution, as well as the vast Nazi expansion into Western and Eastern Europe, built I.G. Auschwitz, a huge industrial complex designed to produce synthetic rubber and oil. This installation used as much electricity as the entire city of Berlin, and more than 25,000 inmates died during its construction. I.G. Farben eventually built its own concentration camp, known as Monowitz, closer to the complex than Auschwitz, in order to dispence with the daily march of prisoners to and from the facility every day. [17]

This was the company enthusiastically embraced by

Standard Oil and other major US corporations such as Du Pont and General Motors. Without the explicit assistance of Standard Oil, the Nazi airforce would never have left the ground. The planes that made up the Luftwaffe needed tetraethyl lead gasoline in order to fly. At that time, only Standard Oil, Du Pont and GM had the technical ability to produce this substance. In 1938, Walterr C. Teagle, then president of Standard Oil, helped Hermann Schmitz of I.G. Farben to acquire 500 tons of tetraethyl lead from Ethyl, a British Standard subsidiary. A year later Schmitz returned to London and obtained an additional 15 million dollars worth of tetraethyl lead, to be converted into aviation gasoline back in Germany. After the war started in Europe, Standard Oil changed the registration of their entire fleet to Panamania to avoid seizure. These ships continued to carry oil to Tenerife in the Canary Islands, where they refueled and siphoned oil to German tankers for shipment to Hamburg. This was exposed on March 31st 1939, when the US State Department issued a detailed report on refueling stations in Mexico and Central and South America that were suspected of furnishing oil to German and Italian merchant vessels. The report listed Standard Oil of New Jersey and California as among the culprits, but there is no record of any action taken as a result of this discovery. [18]
In 1999, when Exxon (formerly Standard Oil of New Jersey) bought Mobil (formerly Standard Oil of New York) to create Exxon-Mobil, they formed the world's largest oil corporation (ahead of Royal Dutch/Shell), and the 4th largest US company in terms of sales (behind GM, Ford (both intense Nazi collaborators) and Wal-Mart of Arkansas. In their previous incarnations, Exxon and Mobil accounted for over half of the total value of the Standard Oil Trust dissolved in 1911 (Amoco, another offshoot of Standard Oil, was recently purchased by British Petroleum, whose US assets are largely derived from its absorption of yet another Standard Oil offspring, Sohio). [19]

These giant oil companies have a long and distinguished history of abusing the human rights of the indigenous peoples on whose land they drill for oil as well as a total contempt for the environment. Exxon-Mobil has often used helicopters to harass communities in Peru and elsewhere around the world. For example, Exxon-Mobil is part of an international consortium, along with Shell and the French oil company ELF, that is planning a multi-billion dollar exploitation project in the African nations of Chad and Cameroon; this project presents serious environmental and social hazards. This project consists of the development of oil fields in Southern Chad and the construction of a 600-mile pipeline through Cameroon for export, and is supported by public funding from the World Bank. This pipeline will pass through ecologically fragile rainforest areas, including an area that is the home of a Pygmy minority of traditional hunters and gatherers. As a direct result of the project, deforestation, wildlife poaching, and the loss of farmland will accelerate, creating a destructive environmental legacy. The pipeline poses a danger of groundwater contamination and pollution of important regional river systems, as crude oil containing heavy metals leaks into the environment. [20] Chevron, (formerly Standard Oil of California), which is the third largest US oil conglomerate (behind Exxon-Mobil and Texaco), and which has one of the worst records in recent times in terms of human rights abuses. One example is in the Nigerian Delta. Nigeria is the 6th largest oil-producing nation in the world, but few in the Niger Delta share in the profits. Many communities have no electricity, clean water or medical clinics, and suffer ill effects from oil pollution. The explosion of a gas pipeline in Nigeria's oil-producing region in October 1998 killed more than 700 people, sparking widespread resistance which succeeded in closing down more than a third of Nigeria's oil production. This elicited a counter-insurgency campaign in which Chevron were directly involved. On May 28th 1998, Chevron facilitated an attack by the notorious Nigerian Navy and death-squad Mobile Police on an unarmed group of people from a delta village known as Illajeland occupying one of Chevron's offshore drilling facilities. Among their demands were clean drinking water, electricity, environmental reparations, employment and scholarships for young people. [21]

After occupying the facility for three days, the villagers were awaiting Chevron's response to their demands when helicopters landed with soldiers firing tear gas and bullets. The Nigerian military shot two protestors dead; Jola Ogungbeje and Aroleka Irowaninu, critically wounded a third man, Larry Bowato, and injured as many as thirty others. Chevron directly facilitated this attack by transporting the Nigerian soldiers / Mobile Police in company helicopters.
In addition, Chevron's acting head of security in Nigeria, James Neku, flew with the military to the installation on the day of the attack. [22] [23] [24] [25]
There are many such examples across the world. These attacks are carried out primarily against defenceless indigenous peoples.

In the next issue we will examine Exxon-Mobil's environmental record, with some updates on the licensing process with respect to the Dunquin and other fields.

Footnotes

[1] http://www.providenceresources.com/html/dunquin_prospect.html#img
[2] Ibid.
[3] http://www.corribsos.com/index.php?id=586
[4] http://www.scandoil.com/moxie/news/contracts/providence-resources-anno.shtml
[5] Ibid.
[6] http://www.oilvoice.com/Providence_Resources_Announces_Dunquin_FarmOut_to_ExxonMobil/5731.htm
[7] http://www.rigzone.com/news/image_detail.asp?img_id=3231
[8] http://www.finfacts.com/irelandbusinessnews/publish/article_10004850.shtml
[9] http://www.rte.ie/business/2006/0213/providence.html
[10] http://dev-sharesonline.uk-wire.com/cgi-bin/articles/200412091635092433
[11] http://www.corporatewatch.org/?lid=292
[12] http://money.cnn.com/2006/01/30/news/companies/exxon_earns/
[13] http://www.greenpeace.org/international/news/hot-year-for-exxon-planet300106
[14] http://www.citizen.org/cmep/energy_enviro_nuclear/articles.cfm?ID=13912
[15] http://www.corporatewatch.org/?lid=292
[16] http://mit.edu/thistle/www/v13/3/oil.html
[17] Ibid.
[18] Ibid.
[19] Ibid.
[20] Ibid.
[21] Ibid.
[22] http://www.absoluteastronomy.com/enc3/exxon_mobil
[23] http://www.zmag.org/zmag/articles/may96udin.htm
[24] http://multinationalmonitor.org/hyper/issues/1989/01/summa.html
[25] http://www.reference.com/browse/wiki/Standard_Oil

Public Private Partnerships

The Irish State has placed all its faith in the fiscally redeeming power of Public Private Partnerships, and is determined to push ahead with PPP projects at all costs, regardless of a substantial and ever-growing body of evidence that shows the much-worshipped deity of private finance to be no more substantial than a wooden idol. Far from saving the State from having to borrow money and being cost effective in comparison with taxpayer-funded projects, it is proving to be a time bomb. While representing themselves as a Government which is economically aware and a believer in fruitful partnership with the private sector, they are demonstrating themselves to be as naïve and malleable as their beau ideal, the British Government, whose disastrous commitment to PPP financing of public services is being emulated in Ireland to the letter at the behest of the PDs, an unelected party with no mandate which has nevertheless assumed the mantle of dictating State policy from support of multinational corporations to the taxpayer-funded facilitation of imperial wars.

The M3 motorway through the Tara valley is an example of the damage done by PPPs. Image from Wikipedia.org.

In theory, PPPs allow the State to proceed quickly with projects that it would otherwise be unable to afford: private companies provide the money, and the State pays it back over a fixed term of years. Because of the alleged higher efficiency of the private sector, PPPs are said to offer better value for money than public funding, and because the private sector contributes most of the funding, there is no need for the State to borrow.

But the estimates that are used (called Public Sector Comparators) to demonstrate the savings achieved through using private funding instead of public funding are fraudulent: they are invariably invented by apologists for PPPs, as they are calculations based on discounting the money that would be spent on a project during its projected lifetime (the standard contract for PPPs is 30 years) against the supposed future rate of inflation. Any of a number of other accounting tricks are used to argue in favour of PPPs, by which means it is easy to hoodwink State officials who have already been indoctrinated in favour of private sector funding.

The process by which private investors are chosen is as follows: when a scheme is announced, various contractors make bids, and the State chooses the contractor which appears to offer the best value for money. The chosen contractor (which is usually a consortium of several different companies) is called the "preferred bidder", and at this stage the State begins negotiations over the details of the contract. When the contractor is at this stage, it really sets to work: it has any amount of leeway to increase costs and reduce services, can place its own estimate on the likely inflation of labour and materials expenses, and even introduce unwarranted extra expenses. Brown and Root, Halliburton's construction subsidiary, is well known for this practice. The State also foots the bill for the small army of consultants, advisers and other opportunists during the negotiation stage. Let there be no illusions that the preferred bidder is obliged to carry out the contract according to its winning bid: since the State is under pressure to provide the essential services it is contracting for, it is obliged to deliver them in as short a time as possible, and so is likely to accede to any demands made by the preferred bidder to get the work done. The relative lack of competence of State officials in negotiating with companies, who often employ the same consultants, specializing in tax fiddles and investor fraud, that the State uses, means that most of the risk ends up being transferred from the private sector to the taxpayer, thus reversing the key justification for PPPs.

In Britain, in cases such as the Walsgrave Hospital in Coventry, where in 1997, instead of a £30 million renovation of an existing hospital using public funds, a PPP was approved for the demolition of both Walsgrave and the city centre's Coventry and Warwick Hospital, and the construction of a new hospital on the Walsgrave site. The result was 25 per cent fewer all-purpose beds and 20 per cent fewer staff, and a construction cost of £174 million, which has since risen to £311 million. The Blair Government PPP policy is being imitated to the letter in Ireland, with the PD Health Minister Mary Harney's policy of closing regional hospitals and the centralization of their facilities in new hospitals built on greenfield sites, where these single “centres of excellence” (though this term has since been quietly dropped) are intended to serve entire regions, notwithstanding the fact that this deprives people of access to essential services in their locality, and the fact that fewer public hospital beds are available as a result.

However, the application of the PPP to Ireland faces a different set of circumstances than in Britain, a fact which State officials seem reluctant to acknowledge. In the case of Britain, the entire notion Private Finance Initiative, however misguided and ultimately disastrous in its implementation, is embedded in a wider view about the proper relationship between the state and civil society, that the encouragement of business by the state will foster social cohesion. In Ireland, there is no such view. There is no context for the facilitation of private profit, other than that State facilitation of private profit is somehow a good thing, and the more it is done, and the more the State’s assets are ceded to private control, the better it will be. One reason for this may be that there is, in fact, no conception of Ireland as being a sovereign country. To the political and financial interest groups, it is simply territory which provides them with a dividend, and therefore to have a view of Ireland as a nation, with its own identity and unique social requirements, is self-evidently absurd.

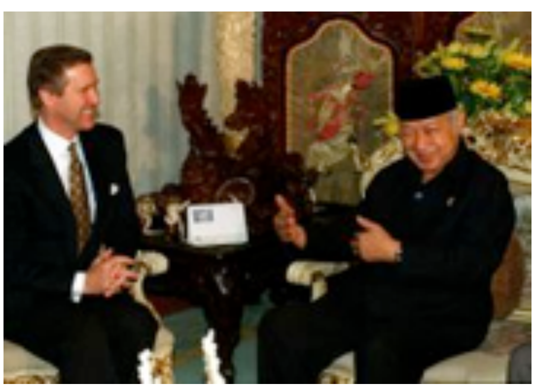
So the PPP ideology in Ireland is being taken a stage further: land owned by publicly-funded hospitals is being given over for the construction of private hospitals, in a new variation on the Government’s scheme whereby State properties are given free to contractors in return for a nominal commitment to social housing. This provision of free land to private hospitals is allegedly to provide beds that cannot be provided in the public health service, though how public patients are supposed to afford the huge fees of these facilities is not explained. In any case, the Government has a readymade solution for creating new hospital beds: it simply makes them up, by redesignating trolleys, chairs and other hospital furniture as “daybeds”.

Stated simply, PPPs, even more than elsewhere, are about removing public infrastructure from public control, and handing it over to private companies. PPPs are about providing huge profit-making initiatives for these companies: far from being the “entrepreneurs” that they are represented to be, these corporations are freeloaders, kept in existence with huge quantities of State capital, in return for poor services, poor employment conditions and wages, and inefficiency. In recent days, it was announced that 10 per cent of the M4 motorway would need to be resurfaced due to sloppy work by the contractor: this road was but recently opened with great fanfare as an example of how efficient PPPs are for delivering road infrastructure. In truth, these infrastructure projects are increasingly being tailored to fit the needs of corporations.

The M3 is a key example. It is being forced through one of the most archaeologically rich landscapes on earth, at the cost of wholesale destruction of heritage, so that politically-connected landowners can make large amounts of money, and so that social welfare can continue to be channeled in great quantities to politically-controlled international corporations.

The Importance of Palm Oil

Palm Oil is marketed as a environmentally sound additive to various foods, especially margarine. This picture, however, is false. The use of palm oil is fueling one of the most environmentally destructive campaigns of rainforest clearance since the virtual destruction of the Amazon Rainforest.
This process is proceeding largely in secret, and is bankrolled by a financial device known as Export Credit Agencies or ECAs. This publicly funded device has become the principal means to bankroll environmentally unsustainable projects, principally in Asia. Our focus will be upon Indonesia, that country whose sovereignty was eliminated by Western powers in the coup of 1964.



Suharto with US Secretary of Defence under Clinton, William Cohen (from Wikipedia.org

The exploitation of forest in Indonesia is out of control. From 1964 (the year of the overthrow of Sukarno by General Suharto in the West-backed coup), around 70% of Indonesia's forests were already destroyed. [1] In the post-Suharto era, the destruction has intensified. Logging is carried out in protected areas and in national parks. According to the Indonesian Ministry of the Environment, the deforestation rate has reached a rate of 2.4 million hectares per year. In no other country is this rate of destruction replicated; this is beyond even the destruction of the Amazon rainforest.
Environmental groups have estimated the yearly rate of destruction to be even higher, with the area of intact forests at 40 million hectares. These sources state that only a fifth of the original forest cover now remains in this once Emerald land. By 2005, according to the World Bank, no large lowland forest will remain in Sumatra. [2] The rainforest destruction can be broadly divided into 3 phases.

1. All utilizable wood is logged for round wood or log exports and for the mass-production furniture and plywood industries. The remaining wood is used in the now-degraded areas as cheap raw material. In conjunction, the same conglomerates convert the razed

areas into acacia and oil palm plantations.
As a result, species diversity is eliminated, the humus layer is washed away, and local climate and water cycles are altered for good. The term “sustainable forestry” used so often by the industry, is simply a euphemism for a plantation, where the trees (eucalyptus and acacia) do not grow without the continuous application of fertilizers. The main cause of the uncontrolled logging is the failure of Indonesian authorities to manage to any effective extent their natural resources. Supervision is virtually non-existent, or is simply avoided through corruption. The military is involved in many illegal timber deals. [3] The portion of illegally logged timber nationwide is estimated to be around 73-88%. However, legal logging inside the concession areas has the same effect as illegal logging – valuable ecosystems are either overused or completely destroyed for conversion to plantations. The companies also commit flagrant violations of forestry laws within the concession areas. There are more trees logged than permitted, pristine forest is converted to plantations, erosion-prone slopes are cleared of trees and protected tree species are readily logged. [4]

The paper, pulp and palm oil 'boom' in Indonesia has catastrophic environmental and social consequences, for the population of Indonesia that is. Fed by bank loans and Government Export Credits amounting to billions of dollars, transnational corporations are destroying the natural diversity and increasing the already appalling poverty of the country. They are directly responsible for military-directed expulsion and repression in many parts of Indonesia, and they have contributed to Indonesia's already vast national debt, which now stands at $262 billion, there is no debt like it on earth, and of course, it can never be repaid. [5]

A palm fruit. From Wikipedia.org.

The surface area of lowland forest in Sumatra fell by 60% between 1990 and 2002. The pulp, palm oil and timber industries are the leading culprits, with the government allowing free rein to "development." The pulp industry has the largest appetite for wood, but the rate of destruction of rainforest for palm oil is steadily increasing. In Indonesia in 1999 and 2000,

about 200 million cubic metres of wood were turned into pulp. Just 10% of that came from managed forest plantations. [6] Sumatra's lowland tropical forests are among the most biologically diverse on the planet. However, from 1985-1997, over Six Million ha. of Sumatra's forest were systematically cleared, and forest cover decreased from 49% to 35%. 1997-1998 were particularly bad years, with a strong El Nino resulting in extremely dry conditions. Fires were frequently lit to clear forest, usually by the plantation corporations directly involved in paper/pulp/palm oil production. The entire region was blanketed in thick, acrid smoke with drastic effects on the local population and wildlife. Since 1997, forest loss has accelerated, with forest fires an ever-increasing plague and source of international environmental concern.
Palm Oil has now become, in financial terms, Indonesia's most important agricultural commodity, and has become the principal agent in the ever-accelerating de-forestation of Sumatra's great rainforests during the 1990's.

Palm Oil itself is produced from the fruit of the oil palm, a tree growing to a height of 15 metres and which has its origins in West Africa. Palm oil is now the world's highest yielding vegetable oil crop. Between 1984-1998, the area under oil palm increased from 0.4 to 2.2 million hectares in Sumatra. Of the 6.7 million hectares of forest lost in Sumatra between 1984-1987, it is estimated that up to 1.7 million ha. of forest was replaced by oil palm estates, with a further 2 million hectares cleared and largely destined for this use. Expansion is relentlessly continuing as Indonesia plans to overtake Malayasia as the world's leading producer of palm oil. The world's largest importers of palm oil are China, with its 1.8 million tons in 1997, India with 1.4, and Pakistan, 1.2 million tons. In these countries, palm oil is mostly used for cooking. The Netherlands follows with 1.4 million tons, and the United Kingdom with 0.4. In 1997, the EU bought 37% of Indonesia's total palm oil exports. In Europe, palm oil is widely used in the food manufacturing industry in the manufacture of biscuits, crisps, chocolates, ice cream, cooking oil, margarine and frying fat. Non-food use applications include soaps, lubricants and cosmetics - lipstick, hand-cream and sun-cream. Large corporations therefore use palm oil extensively, including Unilever, Colgate-Palmolive, and Proctor and Gamble. Some companies, particularly in the food industry, source their palm oil from nominated plantations; however the number of these limited. Only

a small number of institutions operate safeguards against rainforest exploitation, though pressure has been brought to bear upon banks, with increasing success. [7]
Lowland tropical forest in Sumatra, therefore, will have largely disappeared by 2006 if logging continues at its current rate. The practice of illegal logging, encouraged by the Indonesian military, which has investments in the logging companies directly involved in these operations, continues unabated. Tesso Nilo, one of the last remaining blocks of rainforest in Sumatra, is more diverse than the Amazon. Surveys carried out by World Wildlife Fund scientists in 2002 showed that the Tesso Nilo contained up to 218 vascular plant species in one single 200 square metre plot. This is nearly twice as many as the previous number recorded using the same sampling technique elsewhere in Sumatra. It is also much higher than other humid, tropical lowland forests evaluated in 19 other countries, including Brazil, Cameroon, New Guinea and Peru.

The destruction of the indigenous rainforests in Sumatra and elsewhere in Indonesia is a direct consequence of the take-over of the Indonesian economy by the principal western powers after the 1964 coup which deposed President Sukarno and installed General Suharto as head-of-state. At a conference initiated by Time-Life Inc, the Indonesian economy was carved up, sector by sector. The corporations involved, the major oil corporations and banks, General Motors, ICI, American Express, Siemens, Goodyear, US Steel, etc, hammered out the legal conditions of their entry into Indonesia. Professor Jeffrey Winters who studied the conference papers stated: “I’ve never heard of a situation like this where global capital sits down with the representatives of a supposedly sovereign state and hammers out the conditions of their own entry into that country.” [8] The Freeport Company received a mountain of copper in West Papua, an American and European consortium got West Papua’s nickel. The giant Alcoa corporation (which was engaged in significant collaboration with the Nazis during the Second World War), got the largest slice of Indonesia’s bauxite. *A group of US, Japanese and French companies were handed the virtually pristine tropical forests of Sumatra, West Papua and Kalimantan*. A Foreign Investment Law, rushed through by Suharto, made this plunder tax-free for at least 5 years. Effective control of the Indonesian economy passed to the Inter-Governmental Group on Indonesia (IGGI), the principal members of which were the US, Canada, Europe, Australia and the

International Monetary Fund / World Bank. [9]

The World Bank itself handed out some $30 billion. Some 20 to 30% of that money was diverted to Indonesian Government staff and politicians. [10]

The period following the fall of Suharto has seen the out-sourcing of the destruction of Indonesia, with the ECAs taking a more active role in financing destructive projects such as the palm oil plantations; ECAs are the principal agent of the destruction of Indonesia's great rainforests, and of Indonesia itself, as the "national debt" steadily increases. [11]

The result is classic colonialism, with palm oil as a new cash crop, similar to the production of Jute in Bengal under British rule, where Indian agriculture and industry were systematically destroyed to aid the rise of British industry. These crops, indigo, poppies for opium, and rubber in South America and East Asia served to replace indigenous food and industrial crops, as colonies were systematically converted into agricultural dependencies. This reflected a broader pattern, as cash crops such as cotton were used to aid industrial expansion in the US and the UK, helping to flood local markets with cheap cotton and thus eliminate competition from the native crops (e.g. Indian cotton), and the replacement of indigenous agricultural production with monopoly crops, thus beginning a process of food supply monopoly: a process which continues to this day.

In the next issue, we will outline the health effects of palm oil, with some more information on the financing of this destruction.

Footnotes

[1] Wieting, Jens. *Clearcut Paper: APP, APRIL and the End of the Rainforest in Sumatra's Riau Province. Results of ROBIN WOOD research*, revised version, July 2004
http://www.umwelt.org/robin-wood/german/trowa/urwaldpapier/robin wood sumatra english light.PDF
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] Pilger, John. *The New Rulers of the World*, Verso, London, 2002, p.45.

[6] Wieting (2004)

[7] Grimmett , Richard *Last Chance for Sumatra's Forests*, Birdlife's Asia Division, World Birdwatch, June 2002.
[8] Pilger (2002), p. 41
[9] Ibid., pp. 41-2
[10] Ibid., p. 22
[11] http://www.eca-watch.org/eca/index.html

East Timor: Timeline of the Coup

Part 1 of 3

The recent events in East Timor have been marketed by the western media, to the extent to which they have been reported, as a series of unrelated events: mobs rampaging through Dili, Australian / New Zealand intervention to restore order, elections and restored hope for the future to this already shattered country. As with most myths, it has a slight basis in reality, but even less so than most traditional myths.

The latest Western intervention is simply the latest phase of the war against East Timor, and has been in preparation for some time. The Australian contractors have stepped in to replace their Indonesian predecessors, and despite assurances by Prime Minister John Howard to the contrary, they are in East Timor to stay. The great prize is East Timor's extensive oil and gas resources in the Timor Sea.
In 1999 the Australian Government, under John Howard, sent in troops to head the UN military mission to effect the transition from Indonesian control to East Timorese independence. Canberra's agenda was to ensure that Australia, rather than the former colonial power Portugal, exercised the greatest authority in the post-independent East Timor, and so secure its extensive oil and gas resources.
Australia explicitly refers to East Timor, and by extension the entire Pacific as well as East Asia, as "Australia's own backyard," a phrase used by US planners in referring to Latin America. Australia's actions in 2006 confirm the desire of the dominant Western powers to sustain East Timor's dependent economic and political status. [1]

In May 2006, John Howard stated that the emerging crisis in East Timor was due to the "poor governance" of the Alkatiri government. These remarks were sustained despite the protests of the Portuguese government. When Howard was pressed on whether there should be an East Timorese equivalent of the Pacific Solomon Islands - where Australian officials have taken charge of the finance ministries as well as the police and prisons – Howard stated that:

Mari bin Amude Alkatiri, former Prime Minister of East Timor. (Source: Wikipedia.org)

"On the one hand, we want to help; we are the regional power that's in a position to do so. It's our responsibility to help, but I want to respect the independence of the East Timorese. But then on the other hand, again, they have to *discharge that independence or the responsibilities of that independence more effectively than has been the case over the last few years."*

Australia has been able to resist pressure from other interested parties due to the support it enjoys from the United States. Just as the Clinton administration supported the Australia-led 1999 intervention, Secretary of State Condoleezza Rice has made it clear that the US is fully backing the 2006 Australian military intervention in East Timor. In a telphone conversation with Australian Foreign Minister Alexander Downer she is reported to have asked: "What do you want us to do?" [2]

Within East Timor itself, the campaign to oust Alkatiri, the leader of the ruling party Fretilin, has been steadily underway for some time. It burst into the open a year ago, following Alkatiri's decision to make religious education in schools optional rather than compulsory. This move to separate church and state brought forth a furious response from the Catholic Church. Demonstrations were held calling for the ousting of Alkatiri, and an end to his "extremist government." In a pastoral note issued in April 2005 the Church hierarchy in Dili stated that the Timorese cabinet contained secret "Marxists," whose presence endangered democracy. The government was following policies based on the "Chinese Model" and the "retrograde Third World." [3]

According to a report in the Asia Times, the US ambassador to East Timor openly supported the church in its street protests against the government last year, attending one of the protests in person. [4]

In January 2005, a leading Fretilin member of the national parliament, Francisco Branco, denounced a prominent priest for waging a campaign to collapse the government. According to Branco, the priest had told churchgoers

that a decision to send students to study in Cuba would turn East Timor into a communist country and Fretilin had a plan to kill nuns and priests if it won the next election.
When the military intervention was launched, the Australian media, taking its cue from the Howard government, stepped up the denunciations of Alkatiri.

Alkatiri and his supporters are neither "Marxists" or "communists," nor are the Howard government and its media propangandists concerned in the least about the fate of the East Timorese people. Their opposition to Alkatiri is centred on the fact that his Fretilin faction has sought support from other major powers, such as Portugal and China, as a counter-weight to naked Australian imperialism. [5] Alkatiri in particular raised the ire of Canberra during the protracted negotiations over the exploitation of the Timorese oil and gas reserves when he denounced the Australian government for its efforts to exercise total control over East Timor's resources, which was Australia's chief concern from the beginning. After four years of intransigence from Howard and Downer, the Dili government was forced in 2005 to agree to delay the final settlement of the maritime border between the two countries for fifty to sixty years. Under international boundary law – which Australia has refused to recognise – East Timor is fully entitled to most of the oil and gas revenues. However, Canberra finally succeeded in having Dili drop its claim of national sovereignty over the key resource-rich zones of the Timor Sea for two generations, by which time the main oil and gas fields will be commercially exhausted.

John Howard, Australian Prime Minister. (Source: Wikipedia.org.)

If Alkatiri were an Australian ally in East Timor, rather than an obstacle, then the attitude of the Howard regime and the Australian media would have been rather different. For instance, the so-called dissident soldiers, whose "rebellion" ignited the crisis, would not have been portrayed as having legitimate grievances. Instead, the decision of the Timorese government to sack them **after** they engaged in strike action would have been supported. By holding discussions with the rebels, Austalian military commanders should have been denounced for organising a mutiny, breaking the law and creating the conditions for "terrorism." The Timorese soldiers' campaign for the removal of the Alkatiri government was remarkably convenient for Australian interests.

Those interests centre on the securing of Australia's position in a region where other powers are attempting to extend their influence. According to the Australian Financial Review, the emerging rivalry between Japan and China is extending into the Pacific, posing a "real challenge for a government [Australia's] that is always claiming to be on such good terms with Tokyo and Beijing." [6]

Focusing on Australia' long-standing economic concerns in the Pacific region, it continued: "It's worth remembering that in 1920, Australian strategic planners were worried about Japan trying to get its hands on the *rumoured* oil resources of Portuguese Timor, but in 1975 there were fears that China would manipulate a leftish independent Timor for territorial advantage." Once the existence of oil and gas resources had been proved beyond all doubt, the rivalry between Japan and China for energy would pose increasing challenges for Australia. One method of dealing with these concerns was to ensure that a "reliable" regime was in place in Dili. This is a major factor underlying the power struggle inside East Timor.

Therefore control over the vast reserves beneath the Timor Sea – now valued at more than $30 billion due to the rise in world oil and gas prices – is at the heart of the dispatch of 1,300 troops and police to East Timor. [7]

The central concern of Canberra's East Timor policy is domination of the Timor Sea, blocking access to all foreign rivals, apart from of course the United States. Successive Australian governments collaborated with the Portuguese colonial rulers until 1974, when Portugal's fascist government collapsed. Around the same time, the first indications of Timor's vast undersea wealth started to become apparent: oil exploration wells were driven offshore in the early 1970s and rights were granted to several companies. Observing this potential, and fearing "instability," that is, radical nationalism seeking full control over indigenous resources as Portugal's rule crumbled, Australia, following the United States, directly encouraged Indonesia, under General Suharto, to invade in 1975. Suharto's military clique was installed by the US, UK and Australia in 1965, following the overthrow of Sukarno, who had followed a policy of economic nationalism and non-alignment. The coup involved the massacre of at least a million people, which was co-ordinated by the US, UK and Australia. The Australian Prime Minister at the time, Harold Holt, commented: *'With 500,000 to a million communist sympathizers knocked off, I think it's safe to say that a reinorientation has taken place.'* [8]

The 1975 Indonesian invasion of East Timor which followed resulted in the slaughter of 200,000 East Timorese over the next 15 years, fully one third of the population, genocide by any definition. World Bank loans of $630 million went into a "transmigration" programme that involved the shipping of Indonesian immigrants into East Timor to colonize the archipelago. [9] General Suharto agreed to negotiate the underwater Timor Sea boundary heavily in Australia's favour, *handing Australia nearly all the seabed reserves under the 1989 Timor Gap Treaty*. [10]

Part II of this article will appear in the August edition.

Footnotes

[1] http://www.wsws.org/articles/2006/may2006/timo-m30.shtml
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] http://www.wsws.org/articles/2006/jun2006/etim-j06.shtml
[8] Pilger, John. *The New Rulers of the World*, Verso, London, 2002, p. 35
[9] Ibid., p. 22
[10] Ibid.

The Real Cost of the Nuclear Industry

Part 1 of 2

Nuclear Power is unsustainable. There is no realistic case to be made for nuclear power, whether on grounds of safety, economics or even social stability.

The recent changes in climate have focused attention upon renewable and non-renewable sources of energy. The argument is being made by its proponents that nuclear power is vital for the reduction of carbon emissions, as renewable sources are uncertain and are incapable of fulfilling future energy demands. This article will argue that these arguments are false, and that the economic and ecological costs of nuclear energy effectively preclude it as a viable option for future energy needs.
There are 442 nuclear power plants in the world, operating in some 30 countries, thus has some significance as a provider of electricity.

The nuclear industry, however, has been in trouble for the past 15 years, with various disasters and financial problems. British Energy, the UKs nuclear-energy operator, required successive government bailouts. [1]
Britain has also recently finalized a £50 billion ($90 billion) scheme to deal with the nuclear-waste liabilities of British Nuclear Fuels (BNFL), a reprocessing company on the verge of bankruptcy. [2] [3] The British taxpayer, however, will pay the bill, through the device of a new Liabilities Management Authority. [4] However, in Asia, nuclear power is making some advances. China has 9 nuclear reactors, and is planning to commission a further 30. New capacity is under construction or consideration in India, Japan, Taiwan and South Korea. Russia has several plants under construction. Western governments are looking again at nuclear energy. Recently TVO, a Finnish consortium, began work on the first new nuclear plant to be constructed in the West in a decade. Pertti Simola, TVO's chief executive, proclaims that, "Finland has opened the door to a new nuclear era! Many western countries will come behind us." [5]

France's parliament has also recently granted approval for a new nuclear plant. Guillaume Dureau of Areva, the world's largest nuclear supplier stated: "We are pretty convinced of a nuclear revival and [we] need to prepare for it. We need to hire 1,000 engineers. The industry is still a sizeable business. In 2004

Areva had sales of €6.6 billion ($8.2 billion). This includes mining uranium, designing power plants and reprocessing waste fuel. General Electric's nuclear division, which designs and builds plants but does not handle fuel or waste, turned over $1.1 billion last year. Westinghouse, a US company currently owned by BNFL, and recently put up for sale, had sales of around £1.1 billion ($2 billion). The main reason for this shift is global warming. The nuclear revivalist James Lovelock stated: "*Only nuclear power can halt global warming*." (Ibid). David King, Scientist of the UK government, argued that another generation of nuclear stations is needed to buy time, in order to keep down emissions of carbon dioxide, the chief greenhouse gas, while new carbon-free non-nuclear technologies are developed, and because renewable methods are not up to the task: "We need another generation of nuclear-fission stations." In Germany, where a decision to close down its nuclear power plants was made by the SDP-Greens coalition, the Christian Democrats stated that they may reverse this if they entered power, as they have; a decision is pending. In America, although the Bush administration is hostile to any mandatory action on global warming, *it is strongly supporting nuclear power*. Groups such as Environmental Defence and the World Resources Institute have moved to support nuclear power. [6]

There are direct rivals to nuclear plants, such as fossil-fuel plants with carbon sequestration that can provide baseload power, and much investment and experimentation in this field is under way, from Algeria to China to America. Vattenfall, a Swedish nuclear utility, is investing in technology to remove carbon from its coal plants in Eastern Germany and Poland. Cinergy, a US utility, is examing coal gasification and carbon sequestration in Indiana. A Scottish consortium led by BP announced the first commercial-scale project to produce carbon-free power from natural gas, reinjecting the waste carbon dioxide into fields in the North Sea, thus storing the gas underground and also enhancing hydrocarbon recovery from the field. Above all, combined heat and power, which allows companies and consumers to use the heat created by power generation and the electricity it produces, is booming. Nuclear power has its current momentum due to a comparative increase in economic efficiency. The increased consolidation of nuclear plants has helped spread the cost somewhat in the US. France has lower operating costs due to the standardization of plant design. [7] CERA has calculated that 31 countries have commercial nuclear-power reactors; these

produce about 16% of the world's electricity, which is worth $100-125 billion annually. Expansion in China is likely to involve around $50 billion of capital spending. However, even if China constructs all 30 planned plants, nuclear power will only make up about *5% of its projected energy use in 2030*. Meanwhile, natural gas is expected to grow from a 1% share today to over 6%, according to the International Energy Agency (IEA), an offshoot of the OECD. Electricity from nuclear power is slightly cheaper: it costs German utilities perhaps 1.5 (US) cents per kW-hour to make nuclear electricity, according to one estimate, while in contrast it costs 3.1-3.8 cents to produce power from natural gas in Germany, and 3.8 - 4.4 cents from coal. This is due to the carbon-tax introduced in Germany. In the US, where there is no mandatory carbon regulation (thus no penalty on fossil fuels), nuclear power has less of an advantage: coal costs about 2 cents on average, gas power costs about 5.7 cents, nuclear costs about 1.7 cents. [8]
However, the economic case is not as clear-cut. The costs of nuclear power produced by existing plants are likely to be far lower than the costs of newly-built plants, because the capital costs of nuclear plants - typically reflecting half to 2/3rds the value of the project in present-value terms - are long forgotten. The majority of nuclear plants were built when nuclear power was massively subsided by the state. Current low interest rates are good for *large capital projects like nuclear, but these may change sharply in the future*. And the prices of gas and oil, whose current astronomical levels serve to promote nuclear power, could fall. As Ed Cummins of Westinghouse commented: *"The biggest motivator for nuclear today is $6 [the price per MBtu] natural gas. If gas goes back to $3.50, then nuclear plants aren't competitive."* [9]
The other source of uncertainty is the disposal of radioactive waste. Britain decided to reprocess its waste, which proved hugely expensive. In America, the waste was stored in concrete pools of water at the power plants. The current consensus is that the best solution is geological storage - burying the waste very deep. However, nobody has made much progress with this, or has any idea what this storage will cost in the end.

One financial rating agency, Standard & Poor's, declared: *"The industry's legacy of cost growth, technological problems, cumbersome political and regulatory oversight and the new risks brought about by competition and terrorism may keep credit risk too high for even (federal legislation that provides loan guarantees) to overcome."*

A 1000 MW nuclear plant costs $2 billion and takes at least 5 years to build, on the most optimistic estimates. A coal plant of that size costs perhaps $1.2 billion and takes 3-4 years, while a combined-cycle gas plant of similar size costs about $500 million and takes less than two years to build and become operational. *The bigger the project, the more susceptible to delay: one analyst stated that a 2-year delay in nuclear projects wipes out 20-25% of its value to investors.*

Nuclear advocates point to Finland, where a private consortium seems to have managed to finance a new power plant with government subsidy. But was it achieved without state aid or subsidies? The answer is obscure. TVO is a consortium involving six shareholders - but one of them is a state-owned utility, Fortum. TVO's owners are also its only customers. Some of those customers are large paper and pulp companies, who use a lot of power; others are municipalities, which are state-funded. *Indeed, the €3 billion deal is not a conventional economic transaction. Mr. Simola explains that there is a lifetime power-purchase contract agreed at zero profit*: "We pay dividends in the form of competitive power," he jokes. The plant is to be built by France's Areva on a fixed-price bid. If there are delays or massive cost over-runs, Areva must cover them. Areva has denied that the French government ownership means that the country's taxpayers will be subsidizing Finnish power: they assert that the firm will yield all its assets and go bust before the French taxpayer will pay anything. But if it does go bust, the French taxpayer *must* write that cheque to TVO.
Most studies reckon that even a moderate carbon tax would not make nuclear power competitive. Europe's emissions-trading system (ETS) is, in effect, a tax on non-nuclear energy production. According to the consultancy firm Oxera, even with that tax new nuclear plants will not be economic without government help.

Due to political considerations, the European carbon tax will not probably be raised in the foreseeable future. That is why various governments, including the US, are considering directly subsidizing nuclear power. President Bush tried to insert a provision into his energy bill granting the industry about $500m in insurance against the risk of regulatory delays, and a further $6 billion in subsidies is being considered for new plants. US companies want several billion dollars for the engineering and construction costs associated with building the first 3 or 4 such plants, plus over $500m in

subsidies to go through the licensing process, plus an extension of the existing US government's blanket insurance policy against catastrophic accidents. [10]
20 years ago, the cost of building a nuclear plant in the US averaged almost $3 billion (in 2002 dollars). **Years of technological refinements and potential cost-saving measures have not succeeded in significantly lowering the price tag**. [11]

Source: Wikipedia.org

When measured on present values, the cost of a nuclear plant means that *two-thirds or more of its costs may be incurred at once, before opening. This is without factoring in interesting payments accrued during the long construction phase.* In contrast, only a quarter of the costs of a typical gas-powered electric plant accrue up-front costs, and therefore gas plants have supplied nearly all the total new capacity added in recent years. Many of these carry peak or intermediate loads, not baseloads. In most of the US baseloads are handled primarily by coal-fired generators, which are not cheap. Their capital costs per kilowatt-hour are more than twice those of combined-cycle gas turbines. But coal is a strong rival to nuclear power. Even with the latest clean-air equipment, coal plants are not as expensive as nuclear, and once built are relatively economical to operate as the price of coal has dropped steadily over the past 20 years. Coal's share of US electric domination has, if anything, increased over the last several decades, reaching 50% in 2002. Of course the US has extensive reserves of this particular fuel. [12]

Nuclear power proponents have long complained about excessive US government regulation, but these "hurdles" have long been removed. Following a 1992 Act, a utility, if granted a building permit, knows that an operating licence is assured. Moreover, the regulatory commission has pre-certified 3 technologies for application anywhere in the US. A builder opting for any one of them is practically guaranteed that safety measures will not be open to legal challenges during licensing proceedings. That **no new plants** have been ordered since these changes in the law in 1992 is proof that *finance, rather than government regulation, continues to be the primary barrier*. [13]

It is untrue that the US has been less supportive of nuclear power than other OECD members. **Only Japan has spent more money than the United States on nuclear research and development**. It is true that several other important industrial countries – including France, Japan, Germany, Italy and Britain – have maintained (until recently) fuel-reprocessing facilities for spent fuel, whereas reprocessing ceased in the US in the 1970s. On the other hand, few other nations have advanced with plans for the alternative to reprocessing – namely, the long-term burial of high-level radioactive waste. The Nevada Yucca Mountain depository took years of deliberation and will take many more before it might receive shipments, but plans for waste disposal in other countries have proved just as problematic. Studies of possible disposal sites began in the 1960s in Germany. The geological salt caverns at Gorleben were selected a decade later. Sustained opposition has prevented its use ever since. [14] [15]

Again, only taxes that cover the main competitors to nuclear-generated electricity - coal, and to a lesser extant, natural gas - *can make nuclear power feasible to any degree*. [16]
To do so decisively, a broad-based carbon tax would have to be steep indeed, much more than any OECD member has come close to levying. The desire to assist the nuclear power industry is the main stimulus behind the demand for a carbon tax, not global warming.
In the US, four factors serve to hinder the rebirth of nuclear power:

1. Annual growth in demand for power has never returned to pre-1974 heights.
2. Gas-fired technology is comparatively fast and inexpensive to install.
3. There is little economic incentive to close down the vast number of coal-burning plants.
4. More than a hundred old atomic reactors are still on-line. [17]

"If a thing is not worth doing, according to economist John Maynard Keynes, **"it is not worth doing well."** [18]
Aside from bomb-proliferation, waste, sabotage and uninsurable accidents, nuclear power is uncompetitive and unnecessary. In the US, after a trillion-dollar taxpayer investment, it delivers little more energy than wood. Globally, it produces less energy than renewable sources. In the 1990s, global nuclear capacity rose by 1% a year, compared with 17% for solar cells (24% last year) and 24% for wind power – which has lately added about 5,000 megawatts a year worldwide, as compared with the

3,100 new megawatts nuclear power averaged annually in the 1990s. The decentralized generators California added in the 1990s have more capacity than its two giant nuclear plants, whose debts triggered the restructuring that caused its current energy crisis. Cogeneration plants are especially cheap because they occur at the site where the energy is consumed and therefore transmission costs are largely eliminated. [19]

(Part II of this article will appear in the August Edition).

Footnotes

[1] http://www.economist.com/displaystory.cfm?story_id=4149623
[2] http://www.telegraph.co.uk/money/main.jhtml;$sessionid$XECM5UIAAGMSDQFIQMFSFGGAVCBQ0IV0?xml=/money/2001/10/21/cnbnfl21.xml
[3] http://www.wise-paris.org/index.html?/english/othersnews/year_2000/othersnews000529.html&/english/frame/menu.html&/english/frame/band.html
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[5] http://www.economist.com/displaystory.cfm?story_id=4149623
[6] Ibid.
[7] Ibid.
[8] Ibid.
[9] Ibid.
[10] Ibid.
[11] Ibid.
[12] http://www.brookings.edu/comm/policybriefs/pb138.htm
[13] Ibid.
[14] Ibid.
[15] Ibid.
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[17] http://www.brookings.edu/comm/policybriefs/pb138.htm
[18] Ibid.
[19] http://www.wise-paris.org/index.html?/english/othersnews/year_2001/othersnews010711.html&/english/frame/menu.html&/english/frame/band.html
[20] Ibid.