

PREFACE

This is an elementary textbook on energy economics. Those who have completed a course in economics should have no problem reading all of it, and just as important, a large part of it can be easily understood by anyone with a serious interest in the subject, regardless of their academic background. The model for this volume is my textbook in international finance (2001), and Morton Davis' elementary presentation of game theory (1974).

Having taught long and intensive courses in elementary energy economics at the University of Stockholm and the University of Grenoble (France), I believe I can provide most of the readers of this book with the appropriate confidence and knowledge. I have also received important information about what readers with diverse qualifications can absorb from my lectures in Hong Kong and at the Royal Institute of Technology in Stockholm, and particularly at the ENI Corporate University in Milan, Italy.

As will be noticed, each chapter contains questions for discussion, with the exception of the chapters "Energy and Money" and "Economics and Electricity". These chapters contain exercises. As I mentioned in my previous textbooks, my presentation of these topics provides an indication of the lecturing style that I adopted early in my teaching career. To one extent or another, I have always favored a slight modification of the methods introduced at the Ecole Polytechnique (Paris) by Joseph Fournier, and similar arrangements that were employed at the United States Military Academy at West Point. Exercises are worked at the board by teams of two to four students, who then discuss their work, and answer both my questions and

those of the remainder of the class. *Interactive teaching* is probably the best description of this approach.

In preparing this book, I received invaluable help from the comments on my articles and the articles of other contributors to *EnergyPulse* (www.energypulse.net), and the up-to-date articles on energy topics by Ken Silverstein in *EnergyBiz Insider*. I can also mention the informative letters by readers discussing those articles. Other important sources of energy information are the blog “Power Encounter” of Dr Jesus M. Martin-Giraldo, and the very important web publication *Energy Politics*, which features leading energy professionals.

An unidentified reviewer of my finance textbook accused me of making an easy subject difficult. This is an uncomfortable accusation, but fortunately it happens to be the opposite of the truth. As I tried to demonstrate when teaching mathematical economics in Australia and Portugal, nothing in that subject worth spending any time on is inherently difficult, and the same is true of energy economics, assuming that you keep an open mind, and you do not fall in love with some of the algebraic techniques used to discuss energy topics in other energy economics textbooks, many of which are completely irrelevant.

I also want to say something about studying economics, which is a very broad discipline. The best way to deal with this subject is to find out what you like, or perhaps need, and then devote your time to learning it perfectly — or at least nearly perfectly. Naturally, many students of economics do not appreciate this kind of advice, but if they are lucky they will eventually find out that it makes sense. I would like to remind readers of the remarkable power of “search engines” such as Google for obtaining information of all sorts, and also publications such as *The Geopolitics of Energy* and *PetrominAsia*. When in doubt, turn to Google!

Some question has come up as to the optimal length of a book of this nature. This is hardly a problem for me because of the comments that I have received about my previous book. What is required is a textbook that can be covered in a single term or semester, and which gives the persons reading it a distinct professional advantage over persons who are reading other textbooks. Someday, I hope, there will be a place in the undergraduate curriculum for energy economics textbooks of the length of the marvellous microeconomic volumes that we now have access to, but to my way of

thinking, that time has not arrived. What I attempt here is to provide readers with a book that will give them the information they want and deserve, and in the shortest possible time. For example, oil is scarce, electric deregulation loony, and nuclear useful.

At this point I would like to thank the many persons who have engaged in lengthy dialogues with me, calmly or acrimoniously, in seminars, workshops and via e-mail — and often in comments on my articles that were published in *EnergyPulse*; and also comments on my comments in the same forum. At the present time, I find it difficult to understand how it is possible to be a serious teacher of energy economics without advising students to become involved with this platform. I am particularly grateful to those persons who detected mistakes and/or a lack of clarity in my work, and brought it to my attention.

Readers might also notice a certain amount of repetition in this book. This is intentional! One of the reasons for the gross lack of realism in matters such as oil and electric deregulation is the failure by the large number of persons who are greatly interested in these subjects, to become sufficiently acquainted with enough elementary economic concepts to be able to reject the many pseudo-scientific offerings that in some cases originate at the highest political and bureaucratic levels.

Let me put this another way — teaching energy economics is not as easy as it should be. As Professor Sean Flynn of Vassar put it: “too often students do not see the forest for the trees”. This is a perfect description of the situation that we have had in energy and resource economics during the last 30 years, and is characterized by journals and textbooks being full of useless models dealing with exhaustible resources, and even worse, econometric and theoretical spin-offs of these constructions. “Old rubbish” was the way the late John Lennon (of Beatles fame) would have described some of this work, had he taken a deep interest in theoretical economics.

A few other acknowledgments are in order. First and foremost, students in my course in natural gas economics at ENI Corporate University in Milan (Italy), as well persons who attended my lectures in Hong Kong, where I was able to work out the shortcomings of electric deregulation while a visiting professor and university fellow at The Hong Kong Energy Studies Centre (of Hong Kong’s Baptist University). Here I would like to thank Professors Sandro Furlan in Milan and Larry Chow in Hong Kong. I would also like

to express my gratitude to Professor Tony Owen in Sydney, whose book on nuclear energy is still the best economics book on that subject. I can also mention Åke Qvarfort of Uppsala University, and my daughters Amelie and Madeleine for their help with my computer difficulties. Unfortunately I was, and remain, a very poor student of that subject — hopeless actually. And of course, Gunilla and Thomas Banks, of whom the latter still functions as my personal trainer.

Finally, I want to call attention to the editor of this book, Yvonne Tan, and World Scientific Publishing, without whom this book would not have come into existence. As James Clerk Maxwell pointed out, “Energy is the go of things”: for me, Yvonne Tan and World Scientific provided that “go”. And although I paid my dues to *EnergyPulse* earlier, this book would not be complete without naming some of the brilliant commentators/authors who discuss — sometimes at great length — the many energy topics that are published on that site: Alan Caruba, Arvid Hallén, Dennis Moran, Don Giegler, Edward A. Reid, Graham Cowan, James Hopf, Jeff Presley, Jim Beyer, John Sutherland, Jose Antonio Vanderhorst-Silverio, Joseph Somsel, Len Gould, Malcolm Rawlingson, Ronald R. Cooke, Tam Hunt, Todd McKissick, Tom Tanton, Warren Reynolds, and many more.

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