

A Matter of Economics

by Lee Leonard

As I listened to economist Arlon Tussing speak, my eyes kept wandering around the lecture room. It was a near capacity crowd; apparently it had been a mistake to think that only a few people would be interested in a planning conference for geothermal and wind resources in Alaska. Practically every discipline and field of interest was represented — from engineer to economist, from bureaucrat to homesteader. Each had taken the time to come to Anchorage in mid-summer — the busiest time of year — from the farthest points of the State, and the question came to me: Why?

Dr. Tussing was reviewing the economics of Alaska's energy usage, past and present, and as he talked about wellhead costs, royalty allotments, patro-dollars and the like, the economic future of geothermal and wind energy in Alaska was looking very bleak indeed — and I continued to survey the room.

The Anchorage Westward is a very impressive place. The floor of the lecture hall was covered with a sumptuous carpet of resilient polyester material. The massive synthetic tapestries on the walls, which were framed in urethaned veneers, complemented the colored tones of the carpet. Within the chamber of the room, the acoustic properties of styrene and other plastics filtered all but the speaker's voice while outside, the traffic scrambled over the asphalt boulevards of downtown Anchorage.

The lecture continued, with a logical explanation of why the more industrialized rail belt was probably a poor choice for geothermal and wind power development because of lower transportation costs and the availability of coal and petroleum. In bush areas, however, it seemed more likely. I began wondering how many people in the room were looking at the scenery and not paying the speaker the attention due him. I noticed several of the attendants as their eyes wandered and they adjusted creases in the permanent press slacks. He's got them, I thought to myself, for how

could anyone hear such a complete argument while seated in such an environment and fail to be convinced.

The session adjourned for a coffee break. I contemplated how many of those present, those people who had not had much exposure to the economic arguments against alternate energy sources, would have their hopes dashed by Dr. Tussing's very thorough treatment. I wondered how many would return after the break. But when the session resumed, the crowd had increased and, apparently, no one had been scared off.

I must admit that, up until that day at the conference, I would have agreed with Dr. Tussing that geothermal and wind energy would be fine for a few places, but, in general, the economics were such that they wouldn't be practical for most areas even though the resource potential was good. But after talking with several people at the conference, I began to take another look. I remember one man saying, "I've got nothing against oil, but if the price is going to double every couple of years, I'd rather be paying a little more now and still be paying the same thing five years down the line." It was becoming clear that as far as alternate energy sources were concerned, it wasn't just the matter of arithmetic that the economists suggest. And that is the other thing wrong with a purely economic evaluation of an idea: it fails to evaluate the level of confidence people place in the idea. Apparently the average man's confidence in the oil and gas solution to the energy problem is at a low ebb, for example. But experts seldom attach dollar signs to this possibility. The process of bringing resources from the raw state through refinement and to the consumer has become too complex, too intangible for most people to grasp. As people are turning to natural, unadulterated foods, so too many are looking for a way off the petroleum merry-go-round.

I don't mean to down-play the importance of gas or oil, but perhaps

they have become a bit too universal, too much the be all and end all of our physical way of life. We are putting our eggs in too few baskets and regardless of the present economics, this sense of complete dependency is unsettling to the individual, especially to the individual Alaskan who often has a greater awareness of his or her independence than does the resident of the other states. "Energy Independence" in the near future is just so much rhetoric for the nation as a whole at this point; the inertia of the existing system is simply too great. But if the phrase is ever to be more than political verbiage, we have to start somewhere. Alaska has the resources to be that place — a limited amount of fossil fuel processing within this State, coupled with an aggressive program of renewable energy research and development, could make Alaska "energy independent" within a few years. The money could, of course, come from the sale of our non-renewable resources, the bulk of which will be leaving the State in any case. But if and when our exports do run out, we'll not need to go begging. As one bush resident told me, "If they had put as much effort into wind mills as they have into the snow machine, I'd still be feeding a dog team, but fish I can get. Yet where do I get the money to pay my light bill at the end of the month?"

The State's administration will be digesting the views and opinions expressed at the Alaska Geothermal and Wind Planning Conference held this past July. From this conference, officials will formulate a plan and that is good. A lot of people are ready for some constructive action to reduce our dependence on oil. The plan for geothermal and wind could be the beginning of such action. For too long we Alaskans have been sighting down a single pipeline. It's important, I know, but it can be hard on the eyes: it can cause a disease known as "tunnel vision."