



Peter Burgess LinkedIn Blogs

The Value Dynamic of Energy

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Lest we forget, the high standard of living that rich countries have enjoyed in recent years has been enabled by our ability to use energy in all sorts of ways that have improved our quality of life.

The industrial revolution was driven by the use of energy to enable far greater factory productivity than had ever been possible before, and then all sorts of innovations in transport that enabled people and goods to move around the world as never before. Factories were built close to sources of coal, and steam power made it possible for people to make far more than they had been able to in a manual setting. Later, petroleum displaced coal, and distributed electricity displaced steam engines in driving factories. The internal combustion engine and the jet engine revolutionized transport.

For the best part of 200 years the only metric that drove decisions was whether or not energy use would drive up productivity and profit, and that was how decisions were made. Places like the United States took advantage of their low cost energy sources ... hydro, coal and petroleum ... to have low priced energy which gave US industry a competitive advantage on the world stage. In turn this made the US economy profitable but at the same time very energy inefficient.

This did not matter until the 1970s, when the Organization of Oil Exporting Countries (OPEC) was founded and the flows of petroleum started to be controlled for the benefit of the oil exporters at the expense of the oil consumers. This had a dramatic impact on the socio-economic performance of the United States ... and I would argue, that the US has never recovered from this shock, nor has the country understood the implications of this for the future long term socio-economic performance of the country.

The subject has become more complex in the past 40 years because there is now a general realization that the use of energy has environmental impact that is considerable and potentially very dangerous over the next several decades.

If every country in the world used energy as inefficiently as the United States and has socio-economic progress towards the same living standard as the United States, the consumption of energy and the release of greenhouse gases on an annual basis will be several times what is happening at the moment. This tragedy is that this is the trajectory we are following and there are no initiatives to change this in a meaningful way.

The good news is that there is a growing conversation about the problem ... but it is only talk, and some fiddling at the margin.

Places like the United States need to figure out how to maintain a fantastic lifestyle, and do it using just a half or a third of the energy! Everybody needs to change to a lifestyle that consumes less energy.

This is radical change. Every stakeholder in the energy industry is positioned to 'push back' because they have had it all their own way for the past 200 odd years. Every industry is going to have to rethink its basic business models ... something they really don't want to do.

I argue that the only way change of this magnitude will every happen is if we change the way we measure performance. Conventional accounting, profit reporting, stock prices and GDP growth have got to be complemented with impact accounting that shows the impact of economic activity on quality of life and standard of living of people, on the depletion of resources and the degradation of the environment. When we change the way the game is scored, we will change the way the game is played.

The stakes are high. The good news is that we have the knowledge to make the changes and a growing community of global citizens who are going to insist that it gets done.

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