

ECO 314S: Energy and the Environment

CALENDAR DESCRIPTION:

This course surveys important features of energy markets and related environmental challenges. One of the central objectives is to provide an understanding of the key economic tools needed to analyse these markets. A related objective is the development of a framework for understanding the public discourse on energy and the environment. Topics include the hydrocarbon economy (oil, natural gas and coal), electricity markets, global warming and other externalities, renewable energy, conservation, carbon taxes and 'cap-and-trade'.

Prerequisites: ECO200Y1/ECO204Y1/ECO206Y1,
ECO220Y1/ECO227Y1/(STA247H1,STA248H1)/(STA250H1,STA255H1)/(STA257H1,STA261H1)

Distribution Requirement Status: This is a Social Science course

Breadth Requirement: Society and its Institutions (3)

LOCATION AND TIME: SS2117 M 2-5

EVALUATION:

Midterm	30%	Monday October 6, 2014.
Final Exam	50%	Exam period.
Assignments	20%	Due dates to be announced. Late assignments will be penalized 10% per day.

There will be four assignments. You are required to submit solutions to all questions. However, only a subset will be graded. The list of questions that are to be graded will not be revealed in advance. Assignments will be submitted electronically, details to follow.

The only generally acceptable reason for missing a term test is illness. A medical certificate is required under such circumstances. We are asked to remind you that plagiarism and cheating are **serious** academic offences with potentially serious penalties. Programs such as "turnitin" may be used to ensure that the submitted work is original.

COURSE OBJECTIVES

1. Broad overview of major areas of energy economics and related environmental issues.
2. Understanding of important economic tools used to analyse energy markets.
3. Develop capacity to understand public discourse and critically assess energy and environmental debates, (e.g., decarbonization, fracking, renewable energy, markets v. regulation ...).
4. Facility with vast data resources on energy and related environmental issues.

COURSE MATERIALS

Required:

1. David Buchan, *The Rough Guide to the Energy Crisis*, Rough Guides, 2010. Hardcopy is difficult to obtain as it is out of print. Available electronically at Amazon.ca on Kindle. (You do not need a Kindle device as Kindle books can be read on Macs and PCs.)
2. Richard Muller, *Energy for Future Presidents*, Norton, 2012. Hardcopy and Kindle versions available.

Additional References:

1. Daniel Yergin, *The Quest*, The Penguin Press, 2011. Hardcover and Kindle versions available.
2. Joseph Dukert, *Energy*, Greenwood Press, 2009.
3. Carol Dahl, *International Energy Markets*, PennWell, 2004.

LECTURE TOPICS

1. Background and Introduction
 - a. Buchan, Part 1: Leaving the Comfort Zone.
 - b. Lawrence Livermore Laboratories, energy and carbon flow charts <https://energy.llnl.gov/>
 - c. Yatchew, A. 2014: "Economics of Energy: Big Ideas for the Non-Economist", Energy Research and Social Science, available on-line March 15 2014, <http://dx.doi.org/10.1016/j.erss.2014.03.004>
2. Economic Tools: Theory and Empirical Analysis.

Refer to your texts in microeconomics to review the following subject areas: supply/demand analysis; consumer and producer theory; industry structures – monopoly, oligopoly, monopolistic competition, perfect competition; game theory; externalities; public goods; taxes and deadweight loss; regulation and competition policy. See in particular: Competition Bureau Merger Enforcement Guidelines <http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/01245.html#part2>
3. Milestones in Energy History
 - a. Smil, Vaclav "World History and Energy" in *Encyclopedia of Energy*, Volume 6, 2004 Elsevier Inc.
4. Environmental Issues
 - a. Economists' Voice, The Berkeley Economic Press.
 - i. Stiglitz, J. 2006, "A New Agenda for Global Warming"
 - ii. Arrow, K. 2007, "Global Climate Change: A Challenge to Policy"
 - iii. Schelling, T. 2007, "Climate Change: The Uncertainties, the Certainties, and What They Imply About Action"
 - b. Socolow, R. and S. Pacala
 - i. "A Plan to Keep Carbon in Check", *Scientific American*, pp. 50-57. September 2006.
 - ii. "Stabilization Wedges: Solving the Climate Problem for the Next 50 Years with Current Technologies", *Science*, Vol. 305, pp. 968-72, 2004.
 - c. Her Majesty's Treasury, *Stern Review on the Economics of Climate Change*, 2006, Executive Summary.
 - d. Sixteen Concerned Scientists, "No Need to Panic About Global Warming", *Wall Street Journal*, Op-Ed, January 27 2012. William Nordaus (response) "Why the Global Warming Skeptics Are Wrong", *New York Review of Books*, March 22 2012. Cohen et al. and Nordaus response, "In the Climate Casino: An Exchange", *New York Review of Books*, April 26 2012. Fred Singer, "The Climate Contrarians", *New York Review of Books*, August 16 2012.
 - e. Bill McKibben, Global Warming's Terrifying New Math, *Rolling Stone*, July 19, 2012.

5. Renewables
 - a. Buchan, Part 2, Renewables, Wind power, Solar energy, Water, Biomass and biofuels, Hydrogen;
 - b. Government of Ontario, Green Energy and Green Economy Act, 2009, http://www.ontla.on.ca/web/bills/bills_detail.do?BillID=2145
 - c. Yatchew, A. and A. Baziliauskas 2011: "Ontario Feed-In Tariff Programs", Energy Policy, 39, 3885-3893.
 - d. Green, R. and A. Yatchew 2012: "Support Schemes for Renewable Energy: An Economic Analysis", Economics of Energy & Environmental Policy, 1, 83-98.
6. Oil
 - a. Buchan, Part 2, Oil; Part 3, From the Seven Sisters to the NOCs.
7. Natural Gas
 - a. Buchan, Part 2, Gas.
 - b. The Future of Natural Gas. An Inter-disciplinary MIT Study, 2011, <http://web.mit.edu/mitei/research/studies/naturalgas.html>
 - c. Understanding Canadian Shale Gas <http://www.neb-one.gc.ca/clf-nsi/rnrgynfmtn/nrgyrprt/ntrlgs/prmrndrstndngshlgs2009/prmrndrstndngshlgs2009nrgbrf-eng.html>
8. Coal
 - a. Buchan, Part 2, Coal.
 - b. *The Future of Coal. An Inter-disciplinary MIT Study*, 2007, <http://web.mit.edu/mitei/research/studies/coal.shtml>
9. Electricity
 - a. Buchan, Part 2, Nuclear Power, Extending the Electrons.
 - b. The Future of the Electricity Grid: An Interdisciplinary MIT Study, 2011, <http://web.mit.edu/mitei/research/studies/the-electric-grid-2011.shtml>
10. Politics, Finance and the Energy Future
 - a. Buchan, Part 3, Utilities, Energy and Money, Part 4, Part 5.

ADDITIONAL SOURCES

1. International Energy Agency, <http://www.iea.org/>
 - a. *Energy Statistics Manual*
 - b. *Electricity Information 2011, IEA Statistics*
 - c. *2011 Key World Energy Statistics*
2. National Energy Board (Canada)
 - a. *Canadian Energy Overview 2011, Energy Briefing Note* (July 2012)
3. BP <http://www.bp.com/sectionbodycopy.do?categoryId=7500&contentId=7068481> (formerly British Petroleum)
 - i. BP Statistical Review of World Energy 2012
 - ii. *Statistical_review_of_world_energy_full_report_2012.xlsx*