WHAT DOES THE FUTURE HOLDDDD?

TOMANIA SPURS OIL CONSUMPTION

The average Greek's love affair with his car costs the economy dearly. Energy intensity – the rate of energy consumption relative to gross domestic product – is rising while in other EC countries it is stable or in decline. Successive governments have argued that this has been because of the need for the country to close the gap in terms of development. Statistics show, however, that the proportion of energy consumed by industry, households and farms is falling while that for transport has risen sharply.

Greece was slow to respond to the two oil price shocks in 1973 and 1979. European Commission figures show that the 12 countries which now make up the Community improved their energy intensity during the crunch period of 1973-82 by an average of 20 per cent. In Greece there was a 1.9 per cent deterioration. The cost of such profligacy was a decline in growth from an average of 5.4 per cent in the 1970s to 1.6 per cent in the 1980s. Yet energy demand still continued to outstrip growth at 2.7 per cent a year, an elasticity of 1.7 compared to 1.3 in the previous decade.

High inelasticity is a feature of developing countries, but figures produced for the **International Energy Agency** show that in the course of the years 1973-1989 the proportion of total energy consumption of industry fell, from 38.3 per cent to 31.8 per cent, and that of the residential commercial and agricultural sector from 32.3 to 31 per cent. The balance was made up by a steep rise in consumption of energy for transport which rose from 29.1 per cent of total consumption to 37.1 per cent. During the decade of the 1980s, total energy consumption grew by 27 per cent while that for transport rose by 41.6 per cent.

Conservation played little part in the relative decline of industrial and residential consumption. In the late 1970s, the government introduced boiler efficiency and insulation standards but did little to police them. The decline in industry's proportion reflected the general slackness of the economy.

Per capita national income quadrupled in the decade of the 1970s and doubled again in the 1980s. The first thing many families purchased with their new found wealth was means of private transport. During the period 1973-89, there was nearly a five fold increase in the number of petrol-guzzling cars and road haulage vehicles put on the road. In the same period, the number of passengers and goods carried by more fuel-efficient rail declined by a third.

Greece is a net energy importer. It has only limited proven oil reserves and its principal alternative electricity generating fuel is heavily-polluting lignite. Some imported hard coal is used by industry and steam coal is to be added to the power generation mix by 1990. To diversify supply, contracts have been signed to buy natural gas from Russia and Algeria. The country has substantial renewable energy potential but its contribution to overall consumption remains small and there is still a heavy reliance on oil which provides half total primary energy.

Thus, changes in the world price of oil have an immediate and substantial effect on the Greek balance of payments. In the early 1980s when prices were at peak levels, oil represented up to 25 per cent of the total import bill equivalent to around 6.5 per cent of GDP. With the price collapse at mid-decade, these ratios fell sharply and by 1989, oil constituted 14 per cent of the total value of imports or just 3.5 per cent of GDP.