

EXPLOITING ICELAND'S GEOTHERMAL ENERGY TO SOLVE EUROPE'S ELECTRICITY CRISIS

Rammaáætlun supports the development of geothermal sources for electricity production in the Myvatn to Krafla corridor. But why does Iceland need more electricity? National statistics show that domestic and commercial demand is fully satisfied. There can only be two possible reasons, the desire for more aluminium smelting and the desire to export electricity to the electricity poor countries of Europe. Landsvirkjun indicates that it is working on plans for the new power stations, with all three schemes in the area at tender and project design stages. The Icelandic economy certainly needs a boost from new sources of development and new revenues into the national exchequer. But is yet more electricity generation really the way forward?

For certain, mainland Europe and the UK are running short of electricity supplies through a combination of more stringent emission controls, ageing large-scale thermal generation plants and lack of development of new sources of baseload production. There are rising concerns about the impact of developing new renewable sources, such as wind, on the natural environment and cultural landscape. And there are justifiable concerns about the need to reduce dependency on energy from politically unstable countries. All of this seems to point to the urgent development of the Myvatn/Krafla schemes to supply an undersea cable direct to the European mainland or at least to Scotland for feeding into the UK and European grid. This is understandable given the potentially higher prices for selling into the European market and also the benefit to European countries of electricity from renewable sources. Presumably also they are a reaction to the scandalously low prices which Iceland has agreed with the aluminium companies for long-term supplies.

But the issue is rather more complex than this. Future planning of electricity supply in Europe is a shambles, and in the UK it is nothing less than a national scandal. So why should Iceland hope that it can make money by rescuing the UK, in particular, by constructing more power stations, transmission lines and undersea cables in the hope that it can get a good deal? Already Icelanders are commenting negatively on the effects of geothermal stations on the landscape and the ground surface, are raising legitimate concerns about the potential effects of pollution on groundwater supplies for human consumption and the cocktail of chemical emissions into the atmosphere and the ground. Transmission lines from generation points to use sources or to the take off point for a cable to Europe have a very marked effect on the

landscape seen by tourists who value the wild nature of Iceland, as depicted in the government's own promotion literature.

With the burgeoning tourism economy, Iceland needs to be more reticent about the exploitation of natural energy resources. It also needs to be more circumspect about its ability to negotiate energy deals which are favourable to the Icelandic people given past history of failure. The uncertainty of future electricity and other energy prices also needs to be considered. The potential availability of gas and oil from fracturing shale rocks could have a profound effect on energy prices in Europe, as it has done in the USA. Although the market circumstances and the ownership of these resources are different, there is every possibility of price falls.

In the end of the day, companies that thrive on the next engineering challenge to conquer nature and exploit its resources, like Landsvirkjun, should not be left to determine these important issues of public policy in Iceland with potential costs and well as benefits to Iceland's people. Also, Iceland should not be drawn into the trap of doing deals with European energy utilities and national governments which turn out to be disadvantageous to both the Icelandic economy and its people. Both deserve more than that.