

Northern Ireland

NEWSLETTER

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Executive decisions.

Our most precious places
are under threat.

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Sub-prime energy

Shale gas is being hyped by the industry, government and media as the cost-effective solution to meet future energy needs. Ross Brown explores the economics of the controversial process.

Strong evidence is now emerging from the USA that indicates that a speculative financial bubble has been created as a result of significant overestimates of reserves and well-production rates and the generation of a rapid growth in production. It is now apparent that the low price of gas which has resulted from the hype is unsustainable.

In spite of what appeared to be the beginning of an era of cheap and abundant gas for the US, in June 2011 a New York Times investigation disclosed insider industry correspondence revealing that many state geologists, industry lawyers and market analysts privately questioned "whether companies were intentionally, and even illegally, overstating the productivity of their wells and the size of their reserves". One 2009 email from an official at HIS drilling stated, "the word of independents is that the shale plays are just giant Ponzi schemes and the economics do not work". In another, a former Phillips geologist stated, "it looks to me that the hype about these plays is creating a false sense of security for the American public". An official from Suemaur Exploration added, "The entire oil industry will take the fall for this screw up when the driving factor is money coming from Wall Street".

Two research papers released in 2013 by geologist David Hughes and former Wall Street Banker Deborah Rogers has verified the concerns expressed in these revelations. Hughes shows that individual well decline rates have been far higher than originally forecast, decreasing by 79 to 95 percent after 36 months.

Despite the economic losses facing companies as a result of the steep decline rates and falling price of gas, shale companies continued to increase production, for several reasons. Firstly, shale gas operators were very active in the financial markets and betted to ensure that they were insulated from the impact of falling prices. Secondly, when prices began to fall there was a backlog of wells, which were still beginning to come online. Thirdly, the land lease contracts which companies had purchased required them to begin drilling in a set timeframe or lose their leases. Lastly, with companies so highly leveraged, new wells were drilled to generate revenue to pay debts and compensate for the high well decline rates and the low price of gas. Crucially, however, so long as gas production was going up, the companies share prices were maintained.

There have also been significant downgrades in the size of reserves. In 2012 the energy information administration downgraded shale gas reserves by 42%. Just one year before, the Marcellus shale (the largest in the US) was downgraded by 80%. Research by Rogers asserts that reserves have been overestimated by

a minimum of 100% and by as much as 400-500% by operators, according to actual well production.

Overall, shale gas production in the USA has been on a plateau since December 2011. In spite of the drilling of over 30 major areas, 80 per cent of all US shale gas production comes from five plays, several of which are in decline. Due to substantial falls in the well production rates and grossly overestimated reserves, it is going to be next to impossible for the current levels of production to be maintained. Present day field declines require from 30 to 50 percent of production to be replaced annually with more drilling. Hughes highlights that this translates to \$42bn of annual capital investment to maintain current production. By comparison, shale gas produced in 2012 was worth about \$32.5bn.

It is only a matter of time before the glut in shale gas production in the USA comes to an end and prices rise significantly. This fact which has been accepted by the Joint Research Council for the European Commission who have stated that should gas exports from the US be constrained prices will be forced to at least double.

Questions must now be asked about what impact such a shock gas price rise would have on the global economy. Given also that many of the biggest players in the business have faced major write-downs, questions must also be asked about the financial viability of the industry. Examples include BP who wrote down \$4.8bn of assets largely relating to its shale gas assets in July 2012 and Chesapeake energy, the second largest gas producer in the USA, which wrote off over \$2bn in shale assets at the end of 2012.

One must also wonder what plans are in place in the event that companies extracting shale gas become bankrupt leaving behind dry and worthless wells which have been pumped full of chemicals? And who in such a scenario would be held responsible for cleaning up the mess and paying for the toxicological human health impacts that would only become apparent decades after?

One thing is for sure, policy makers in Europe who are currently weighing up the pros and cons of pursuing a similar dash for gas must not consider the prices in the USA as sustainable nor the USA shale gas market as an economic model that should be replicated here. If we learned nothing else from the American sub-prime scandal which effectively destroyed global economies, then it must be that rampant free marketeering gives scant regard to widespread detrimental consequences in the pursuit of a fast buck. Surely the lesson must be while it is good to learn from your own mistakes, it is better to learn from the mistakes of others.



Shale gas exemplifies the prevailing unsustainable economic model.

Editor: Declan Allison Contributors: Ross Brown, Kathryn McCabe, James Orr, and Goretta Horgan Designed by: LSD Limited. Printed on: Paper made from 100% post-consumer waste.

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The G8 and the Crannog



Nowhere is safe in the rush to embrace a narrow concept of development.

Courtesy of Declan Allison / Friends of the Earth.

James Orr discusses why the rush to develop means nowhere is safe.

History shows us that even the most dreadful dictators have a fondness for preserving wild places and heritage, perhaps to remind them of their lineage or largesse. Patriotism is closely, sometimes far too closely, associated with a desire to promote cultural heritage and to forge a distinctive local identity.

Not so in our wee country. In a country riddled with identity disputes and fogged by British or Irish nationalism you would imagine that the interplay of people with their cultural landscape and history would mean something.

After the Runkerry decision we feared that nowhere would be safe. A Trump style resort was approved at the Giant's Causeway - our only World Heritage site. The stones, and the myths they created, will now be decapitated from their wilderness setting.

An even worse story has emerged about the conscious destruction by the state of one of our most important discoveries.

An excavation boss described working on the site as "the pinnacle of my archaeological career" and the government knew it was special. It was a crannog, marked on a map from the 1870s and was designated for protection.

Test digs revealed its significance yet the government still insisted a road scheme had to go ahead, straight through the crannog. Not around the crannog, but straight through it.

Roads Service contractors then bulldozed one quarter of the site before it could be surveyed. Priceless artefacts were dumped and have never been recovered, even when the site was meant to be under government supervision.

Some archaeologists had to literally beg for more time, and in far too short an excavation period, the Drumclay crannog in Enniskillen still revealed a hoard of 5,000 artefacts, spanning 1,000 years, between the 6th to the 16th centuries.

An unearthed house the size of modern bungalow may be the largest structure of the period ever to be discovered. Gathered from the remains was gold jewellery, an ancient board game, the remains of 30 other wooden houses and the body of a teenage girl. Lots of other treasure and some of the oldest archaeology was destroyed and the entire site is now under tarmac. The site is lost and many archaeologists ended up broken by the experience.

"What has been found has the potential not only to be internationally important but ultimately to lead to a reassessment of life in Ulster in early Christian and medieval times," said Minister Attwood. Yet stronger forces in the government prevailed to destroy much of this heritage and our shared history.

This is a pattern across Northern Ireland. The power of the construction industry is unchecked. Roads Service gives itself approval for its own roads and dictates the environmental agenda. We see a dismissive

and cavalier approach to the rule of law, and the regular emasculation of the DOE and the Environment Minister at the hands of bigger forces. Ex-officials from government departments who know their way round the system regularly end up working for industry in a darker world of lies to the media, money, and a professional dereliction of duty.

The scandal over this state vandalism in Enniskillen tells me that the only things the government can truly regulate are the environmentalists themselves. Giving sites official 'protection' is a fig leaf.

But why the rush? In this case it has been admitted by the Roads Service that this project had to be completed before the G8 summit in Enniskillen in June, regardless of the damage caused.

We live in a tiny country of just 5,000 square miles. Add in over a million cars and 1.8 million people. Take out areas where you cannot build - our high mountains, quarries, lakes and bogs. Add in a staggering 47,000 new single houses in open countryside approved in the last ten years and random haphazard developments. Well over 10,000 times an area is under tarmac than is alive with native woodland.

The result is a Northern Ireland that is groaning under the pressure for our desire for quantity instead of quality. We are not making any more land, yet we do little to give priority to develop brownfield sites.

To deal with these pressures we need a healthy planning system. Instead it is being dismantled with the draft 2013 Planning Bill. Academics and Friends of the Earth have warned that the insertion of the new economic clauses 2 and 6 will result in planning chaos where nothing is special and nowhere is safe. Even before this bad legislation was concocted former Secretary of State Tom King said if you want to see a country where the planning system does not work, visit Northern Ireland.

Emerging out of conflict? If only. The landscape trauma, ecocide and the contempt for cultural history, has been accelerated as a defining feature of devolution. Our collective wealth, our future prosperity, our identity and sense of belonging is being trashed and the prospect of further collapse is embodied in this new legislation.

We can speculate whether Barack, Vladimir or Angela would have enjoyed seeing the richness of the Enniskillen crannog or been inspired by a unique insight into 1,000 years of history. When they look out of their helicopters they will see one of our last great landscapes before the frackers come to Fermanagh. When they look out of their helicopters they should be told that a permanent legacy of the G8 is the destruction of the Drumclay crannog by state vandals who built the road in their name, a road the G8 leaders will never use.

Even the G8 leaders may well be thinking that when we talk of progress in Northern Ireland we are away with the faeries.

Northern Ireland NEWSLETTER

Issue 24 Spring 2013

Is growth good for people?

Social-ecologist Kathryn McCabe examines the problems associated with our current social structures, and the cultural barriers to change.

If you're reading this it's a fair guess that you feel that our society is not working very well for people, yes, even the people at the top. You sometimes feel this in the stress in your own body, illness of those near to you, and our young people withdrawing from finding meaning in life. You've read the stats about Climate Change, economic collapse, ecosystem degradation, political dysfunction, social inequities; and you probably care deeply. If you are anything like me, you also sometimes feel bored by all the bad news analysis. Do you?

I have been involved in community engagement for sustainability for 8 years, as an educator and facilitator for change using a social ecological approach. I have seen first-hand the collapse of ecosystems and human communities across Australia and Ireland. It is devastating. I know how bad the problems are. I do not seek to avoid them, ignore them or leave them unchallenged. However, there is only so much 'bad news' people can continue to absorb before 'psychic numbing' switches off their

ability to engage. Is it any wonder that one in four of the UK public is not convinced that climate change is even happening?

It is clear that education is not enough. Telling people about the problems is rarely sufficient to ensure they enact change. There are numerous psychological, neurological, personal and cultural factors for inaction. The factors I would like to focus on here are cultural.

The most common motivators employed to get people to change are fear-based. We can see this attempt to motivate people based on fear in almost all advertising campaigns, be they to quit smoking or stop aging. They are common in political campaigns and environmental campaigns alike. You know the ones, "If you don't quit now you will develop mouth cancer and die a painful death" type thing.

I was discussing this with a team the other day, and they noted that when they felt motivated by fear it can kick-start change. For example when quitting smoking, we are often motivated by fear of becoming ill, or feeling frustrated by inability to breathe freely during exercise. However these changes are often

not sustainable over time, unless the focus of the endeavour itself becomes motivated by hope. In other words, by focussing on what we want to achieve, not what we want to avoid the energy will continue to build and pull us towards the goal.

It is this vision-focus that is missing in much work for change. The current industrial growth model is presented as though it is based on the laws of nature. We are unable to discuss the economy without referring to it in terms of growth, even if it is negative growth. It has been my experience that the general public are unaware of the possibility that other models of society are viable, meaningful and in fact desirable for people and planet. And there are as many models as there are communities to dream them up.

Coupled with this is a cultural system that actively disempowers people. We now have an education system that is obsessed with standardising students' learnings, testing them to within an inch of their lives: literally, sometimes, with suicide levels in teens a major concern. Schools are restricting creative and critical thinking, as well as peoples' capacities to express their needs and have them met. The cumulative



Does a focus on economic growth neglect the things that really matter to people?

result ensures that whole societies of people are too afraid to stand up and disagree for fear of being wrong, standing out or being bullied.

Work is getting more stressful and busy every year for most people; increasing bills, job losses and pressure to perform competitively. Combined with massive burdens of household debt, people have less time and energy for engaging in social or environmental change, especially if this change is not perceived as deeply enriching for their lives.

It is my experience that when people have ways to engage with community which they find enriching to their lives they want more of that. Our basic human needs are for relationship, a sense of place,

shared community values, feelings of self-worth, health and vibrancy. It is my belief that all these needs can be met when we begin to find ways to reweave the fabric of community. I believe that sustainability, which I would define as a balance of human needs and planetary needs, is more likely to be met when people feel valued, connected and enriched by their relationships.

As we go forward let us play at developing new ways of engaging meaningfully with communities across Northern Ireland. Let us seek relationships with others who have similar aims. Let's build on the work many other creative groups and individuals are already doing. Let's make it pleasurable for our own lives and those we work with, even in the smallest of ways.

Broken promises

Lecturer in Social Policy, Goretti Horgan, analyses the Executive's record.

Fifteen years after the Belfast Agreement, few people in Northern Ireland would argue that there has been much progress on any front apart from the absence of violence. Even the recent fall in child poverty figures was not a sign of progress but rather the result of most people's incomes being pushed down so much that the poverty line also went down. At the top, though, incomes have increased – so the poor and middle are getting poorer while the rich are getting richer.

What this means in human terms was revealed recently by initial results from the Poverty and Social Exclusion Survey (PSE), carried out by researchers from Queen's. They found that over a third of households (36%) do not have what the majority of people consider basic necessities, rather they lack three or more of 22 necessities including food, clothes, housing and social activities. And this is before welfare reform hits incomes! Almost one in three people (29%) have 'sometimes' or 'often' skimped on food so others in their family would have enough to eat. Six percent of families (over 40,000 families) cannot afford a meal with meat, fish or a

vegetarian equivalent every other day and fresh fruit and vegetables every day. Two percent (over 14,000 families) cannot afford two meals a day. Eight per cent of families can't afford to send their children on a school trip once a term, while 15% cannot give their children pocket money.

In relation to fuel poverty, the PSE Survey found that things have got considerably worse since 2003, with the number of households unable to heat their home at a record high of 13%, up from 3% in 2003. The result of this inability to keep a house warm is seen in the rise in the number of damp homes, up from 4% in 2003 to 10% now.

Although Minimum Income Standards – based on the minimum needed to be part of 'normal' society – indicate that a couple with two children need at least £454 a week, a lone parent with two children at least £275 a week and a single person at least £192 a week (after rent), wages here are so low that few can aspire to even this basic minimum. More than one in three households (42%) have a total income of less than £400 a week, with more than one in four (28%) having less than £300 a week coming in. A shocking 2% of households – some 14,000 – have an income of less than

£100 a week. However, not everyone is doing badly: almost a quarter of households (23%) have more than £800 a week, with 13% having more than £1,000 a week.

The problem for those in the bottom half of society here is that they are in a 'low-pay, no-pay' cycle – they do their best to get a job, but it's low paid and the factory or call centre moves on when InvestNI grants run out. Then they are dependent on benefits for a while until the next low paid job comes along...and it all starts again. This cycle is a direct result of the policies implemented by Stormont which markets NI across the world as a low pay economy. In 2011, when Peter Robinson and Martin McGuinness were in Los Angeles 'promoting' NI, McGuinness actually joked that people in the West of the region were willing to work for even lower wages than those being cited by Robinson!

This kind of lowest common denominator approach will not bring sustainable jobs or economic progress. All research shows that quality employment, childcare and public transport are vital to economic development and employment growth. Quality jobs are those that have decent pay and conditions, some element of security and include an element of training and 'prospects' – not the kind of jobs that are being chased by InvestNI. Meanwhile, NI remains the only part of the UK

without a Childcare Strategy, with the scarcest and most expensive childcare outside of London. And public transport here remains the poor relation, with the emphasis to date being on building roads and expecting everyone to have a car.

It doesn't have to be like this. If our politicians listened less to the Confederation of British Industry and the roads lobby, they could use the capital funding that is available to them to build an economy that would be more sustainable and be good for most people. There are many better ways to spend the hundreds of millions that are being wasted on new motorways and widening old ones to take ever-increasing numbers of cars into inevitable bottlenecks.

Rents in the private rented sector have rocketed because there is so little social housing available. Economists have shown that building and refurbishing social housing makes economic and social sense – there is a much stronger 'multiplier effect' in terms of employment, meaning more jobs are created than in other construction work. Refurbishing houses is even more labour intensive and can help cut heating costs. And this is even without a Green New Deal!

Since devolution, there has been less investment in transport in Northern Ireland than in the rest of the UK. The Regional Transportation Strategy for Northern Ireland notes that in terms

of its rural nature, Northern Ireland is considered most comparable with Scotland. However, in terms of both current and capital expenditure, and with regard to expenditure per head, spending in Northern Ireland is significantly behind Scotland. Thus, in 2009-10, spending per head on transport in Northern Ireland was £319, compared to £343 in England, £387 in Wales and £563 in Scotland. Indeed, indexed against the rest of the UK (UK=100), Northern Ireland has by far the lowest spend per head on transport (88, compared to 155 in Scotland) and environmental protection (77 compared to 141 in Scotland). These figures suggest a very short-sighted approach by the devolved administration, given the close link between transport and the possibility of meeting environmental targets – and given the importance of both public transport and the environment to tourism. Yet when it comes to plans for spending on transport in the 2008-18 period, we find that 81 per cent is to be spent on roads and 19 per cent for all public transport.

There is no road to progress if we continue the current neo-liberal policies of promoting whatever the private sector says is good – roads, low wages, privatisation of services etc rather than considering what is sustainable, good for people and for the future of this island and the planet.