Gas tax could help combat our oil dependency

BRIAN GOULD

As the price of oil ratchets upward in advance of another happy motoring summer, it's no surprise that the media are picking up on projections of $1.40-per-litre gasoline. Inevitably following those types of projections are calls from motorists to lower gas taxes and just generally throw public money at the problem.

Kowtowing to the omnipotent deity that is economic growth, they're trying to do their patriotic duty by consuming as much as possible—but their suggestions are misguided at best.

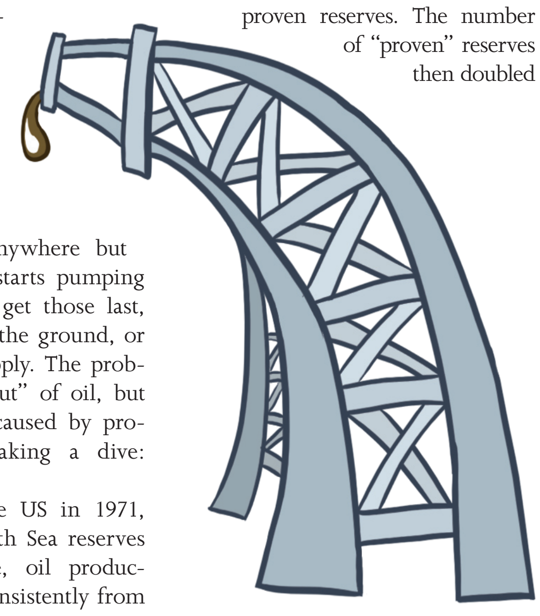
With fuel taxes in Alberta already low at only 20¢ per litre, completely eliminating the gas tax couldn't even bring it below $1.20 per litre. Oil companies would have no incentive to raise production even though cheaper gas means more driving, so the price of gas goes right back up—except now it's all going to the oil companies.

In the meantime, we've lost the only easy way to fund roads and the only factor that has any influence on the amount people drive. Without that tax, big users don't pay much more than those who don't drive at all. Even with the tax, 20¢ isn't enough to pay for the obvious costs of the automobile, let alone the externalities required to lubricate the automobile-oriented machine—urban sprawl, "free" parking subsidized by patrons, and health problems to name but a few.

With costs being spread throughout society, there's no incentive to drive less, and in a province so afraid of communism, the enthusiasm with which we embrace its funding model is astounding. Missing a pothole or street plowing is political suicide, but less so than suggesting that drivers actually pay their way. Apparently, free-market principles are only for things that aren't worth caring about—and it comes at the expense of environmental issues, social problems, and residents of the countries we exploit.

Let's ignore for a second any reason to reduce driving and make free gasoline our top priority. Despite the damage that it would cause to both society and the almighty economy, it rubs up against an undeniable truth: oil is a finite resource. Everyone knows that, but nobody wants to think about what that means. People like to tell themselves that price spikes are just the oil companies gouging the poor SUV driver and that OPEC is that Middle-Eastern organization trying to destroy our very way of life.

But OPEC will gleefully tell you that most non-members will likely run out in 20 years, but they'll still be pumping for 80. Ignoring for a moment the veracity of their estimates, consider what will happen when other countries dry up. Demand isn't going to go anywhere but up, so either OPEC starts pumping harder than ever to get those last, hardest drops out of the ground, or demand outstrips supply. The problem isn't "running out" of oil, but rather oil shortages caused by production inevitably taking a dive: peak oil.



It happened in the US in 1971, and the massive North Sea reserves in 1999. Worldwide, oil production rose relatively consistently from 1985–2000, but with flat oil production over the past three years and the highest output thus far happening way back in May 2005, it's entirely possible that global production has already peaked. Only time will tell, but there's a growing scientific consensus regardless of whether or not the public is ready to finally acknowledge it.

The global peak is fuzzy, partly because in 1985 OPEC decided to base their production quotas on proven reserves. The number of "proven" reserves then doubled overnight—a complete coincidence, no doubt. The end result is that we really don't know how much is in the ground, and Saudi Arabian production might be ready to start dropping. Even if the global peak is ten years away, the message is simple: we need to reduce consumption immediately, and one of the easiest ways is to increase gas taxes.

Predictions for the effects of peak oil are understandably quite bleak, including wars over the few remaining oil deposits—something that should worry any Albertan. With an economy completely dependent on cheap energy, it's entirely possible we will enter a permanent economic recession, and in a few years, we could be looking back on the recent stock market rumblings as the beginning of the end.

With conventional production peaking and alternatives far from proven, it's time to take a very serious look at the way we're preparing. Current gas prices are actually too low and are selling our future for a few more years of blissful ignorance. The cost isn't going anywhere but up, and unless we increase our cut, it's just going to go to the oil companies. Subsidies to encourage use are the wrong strategy when there's nothing left to use.