

Towards a new Geopolitics of Energy?

From the Geopolitics of Oil to the Geopolitics of Energy transition

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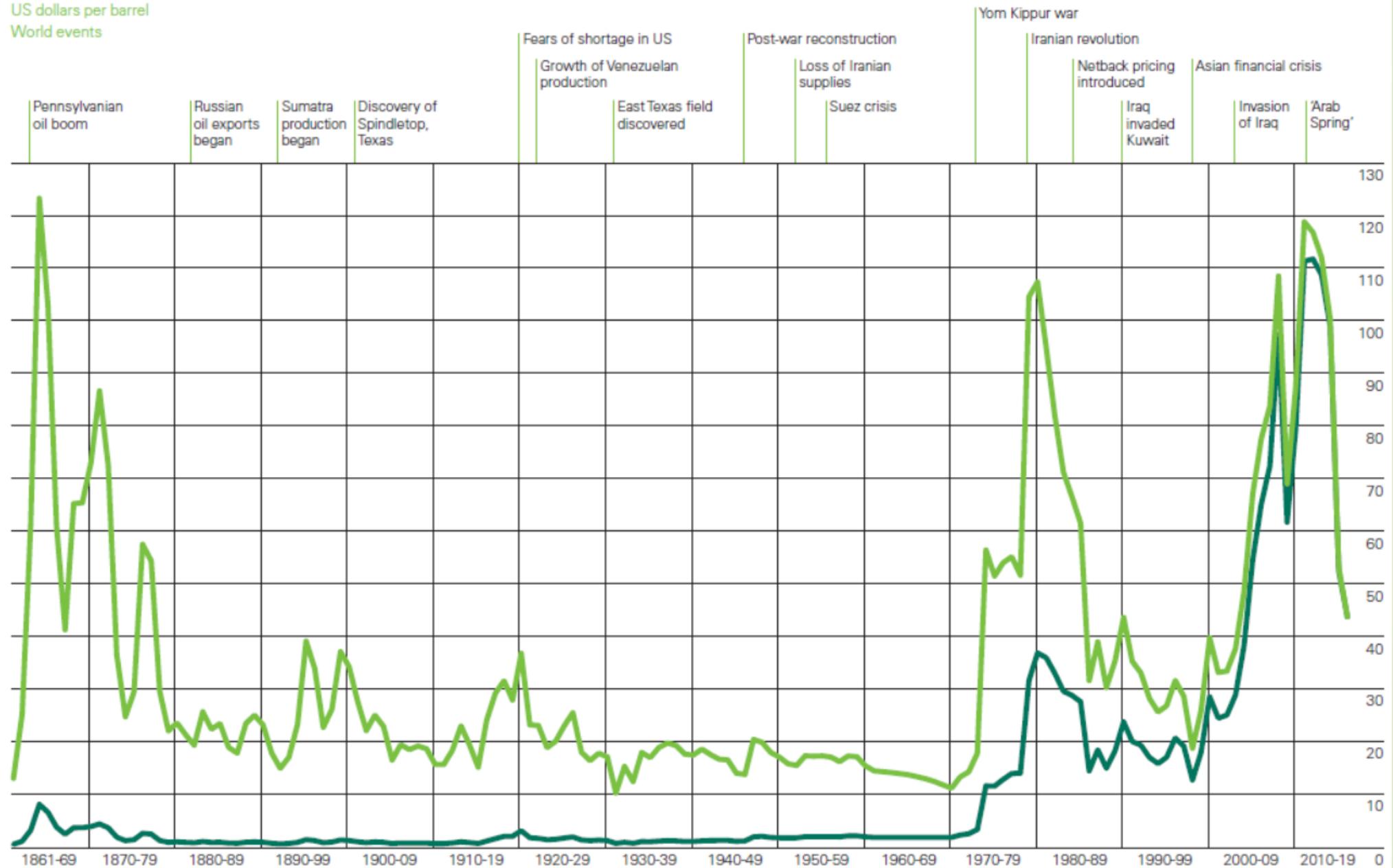
What was Geopolitics of Energy?

- ▶ Equivalent to Geopolitics of oil (or hydrocarbons) during the 20th century
 - ▶ Oil is THE raw material since the WW1 and the decision of Churchill
 - ▶ Became indispensable for transportation and trade
 - ▶ Fuel of Globalization
- ▶ Global market with keyplayers well identified
 - ▶ IOC until 1960 and mostly the 1970s with the two Oil Crisis 1973 and 1979
 - ▶ Determining role of big producers and OPEC (NOC) after that
 - ▶ Saudi Arabia is the guardian of the market, the swing producer (with 2.5 mbd additional production capabilities)
 - ▶ Mutual actions to maintain price at an affordable level for customers but especially for producers (rise of production during scarcity times and geopolitical turmoil, decrease of production during collapse price period)
- ▶ Producers/Consumers/Geopolitical Crisis

Crude oil prices 1861-2016

US dollars per barrel

World events



■ \$ 2016 (deflated using the Consumer Price Index for the US)

■ \$ money of the day

1861-1944 US average.

1945-1983 Arabian Light posted at Ras Tanura.

1984-2016 Brent dated.



What happened during the two first decade of the 21st century?

- ▶ Crisis of a new type: speculation in 2008 => role of financial actors/speculators
- ▶ Since the end of the 2000s = shale or unconventional oil&gas revolution in the US that no one was able to foresee
- ▶ Spectacular rise of US production (double) although everybody was watching carefully the gas sector, the shale gas, the fracking, etc. in France
- ▶ ...Launch of the Energy transition, coming into force of the Kyoto Protocol (2005)

What phenomena lead to June 2014?

- Spectacular rise of US oil&gas production (technical innovations):

| year | oil | gas |
|------|-------------|----------------|
| 2006 | 6.8 | 524 bcm |
| 2016 | 12.3 (+80%) | 749 bcm (+43%) |

- Slowing of the world economic growth, in the OECD countries which is not balanced by China and emerging countries, due to interdependences of world economy
- Decrease in oil consumption in OECD countries (France, Germany Spain, Italy, UK, etc.)

What happened since June 2014

- ▶ Collapse of oil price from more 100\$/barrel in 4th of June 2014 to 28\$ in January 2016 because of huge resilience from shale oil producers



- ▶ shift on SA and Gulf and non-OPEC countries: they are not protecting a price level but their own market shares. **Is SA the swing producer anymore?**
- ▶ OPEC agreement with Russia in 2016 to reduce oil production from 1.3 mbd
- ▶ Growing rise of Investment in RNE

Redistribution of roles ...



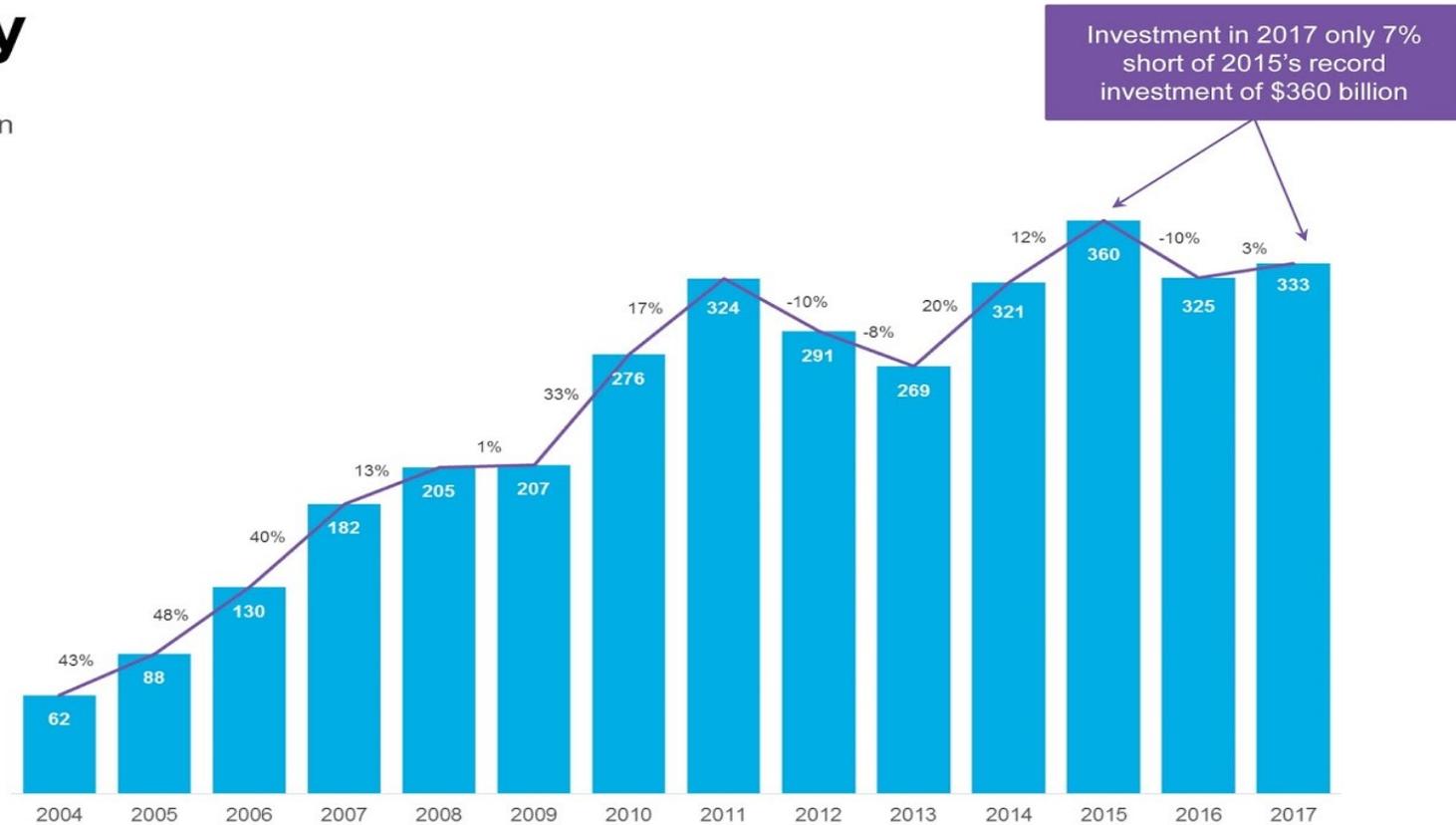
...but not just because of US shale

Annual Trends, New Investment

Global New Investment in Clean Energy

2004 – 2017

\$bn

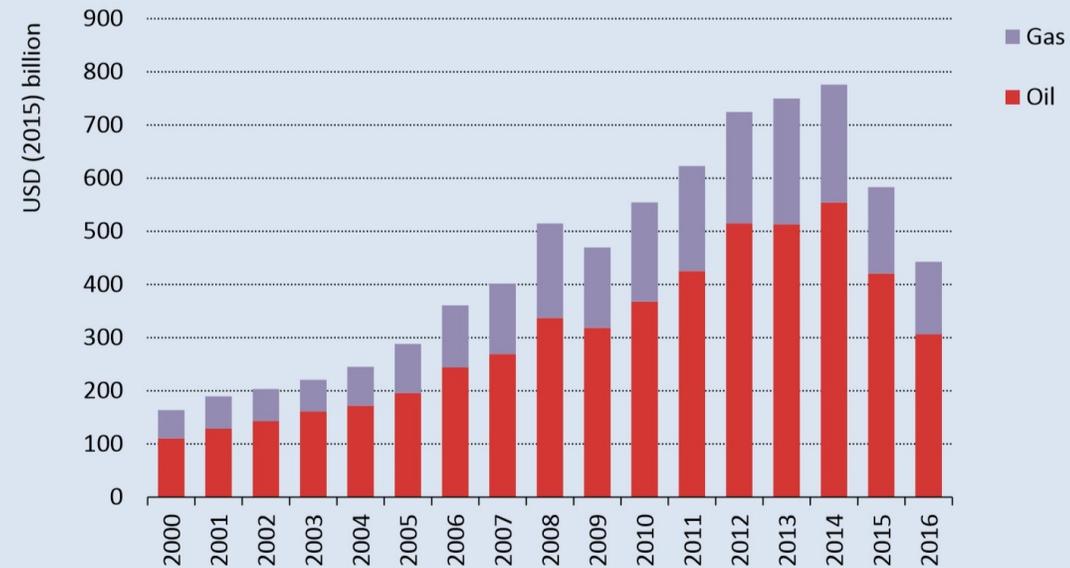


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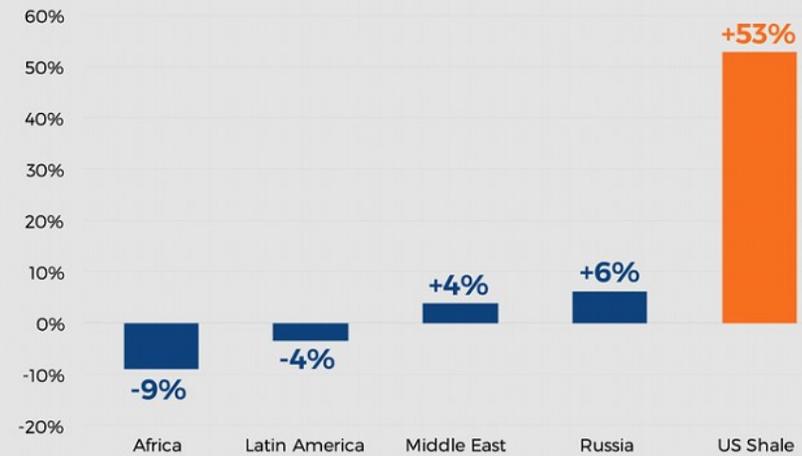
Source:
Bloomberg New Energy Finance

But never forget...

Figure 3.2 • World upstream oil and gas investment by fuel



Change in upstream oil & gas investment, 2017 vs 2016





What could be a geopolitics of energy transition ?

The product of :

- Geopolitics of climate change
 - Geopolitics of renewables
 - Geopolitics of development
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Geopolitics of climate change

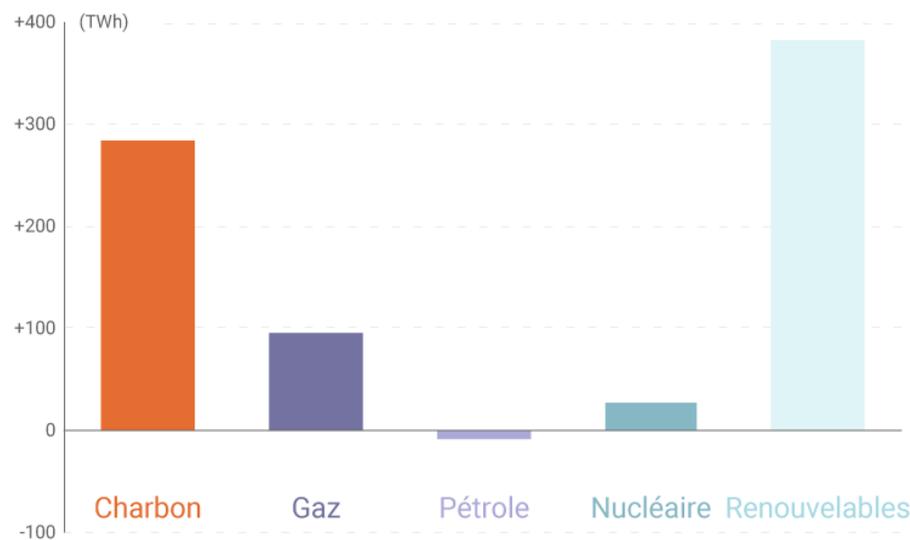


- International negotiations on climate change => build a balance between States (which are negotiating) and non states accord (transforming)
 - US, China, EU
- Mitigation: Manage the balance of power in the negotiations, continue to raise the emissions reduction targets
- Adaptation: provide the necessary funds for adaptation measures while avoiding the effects of announcements and broken promises, struggling efficiently against cronyism and corruption (see 40 years development policies)

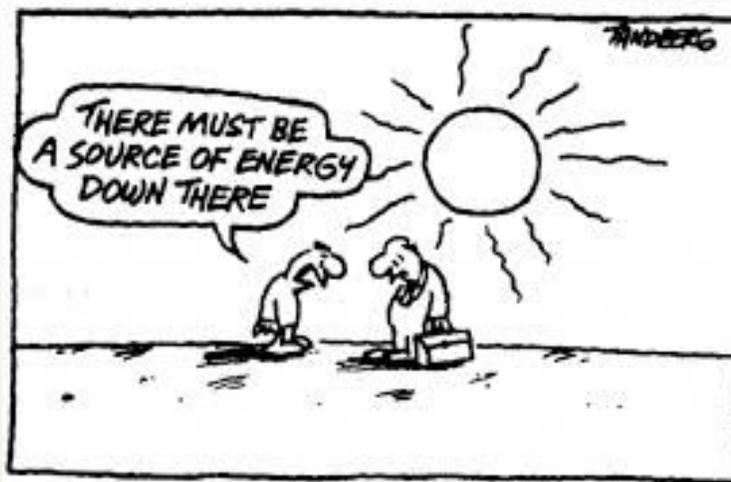
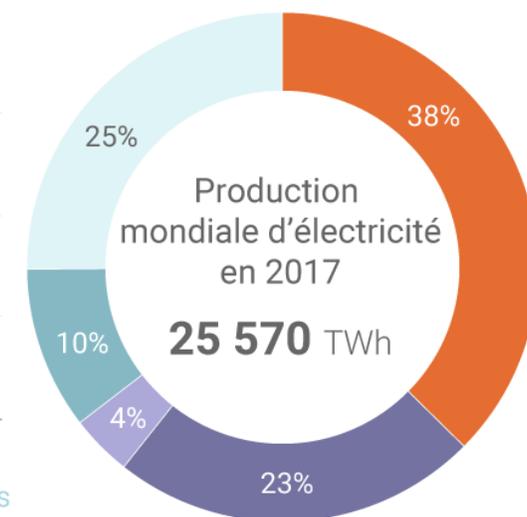
Geopolitics of Renewables

- Transition: do not replace one dependency with another (copper/lithium/neodymium);
- Foresee what could be the impacts of the creation of new cartels in these materials
- be aware of the environmental problems related to the implementation of the energy transition (metal refining, recycling, etc.);
- Overcome the NIMBY paradox

Évolution de la production mondiale d'électricité par source 2016-2017

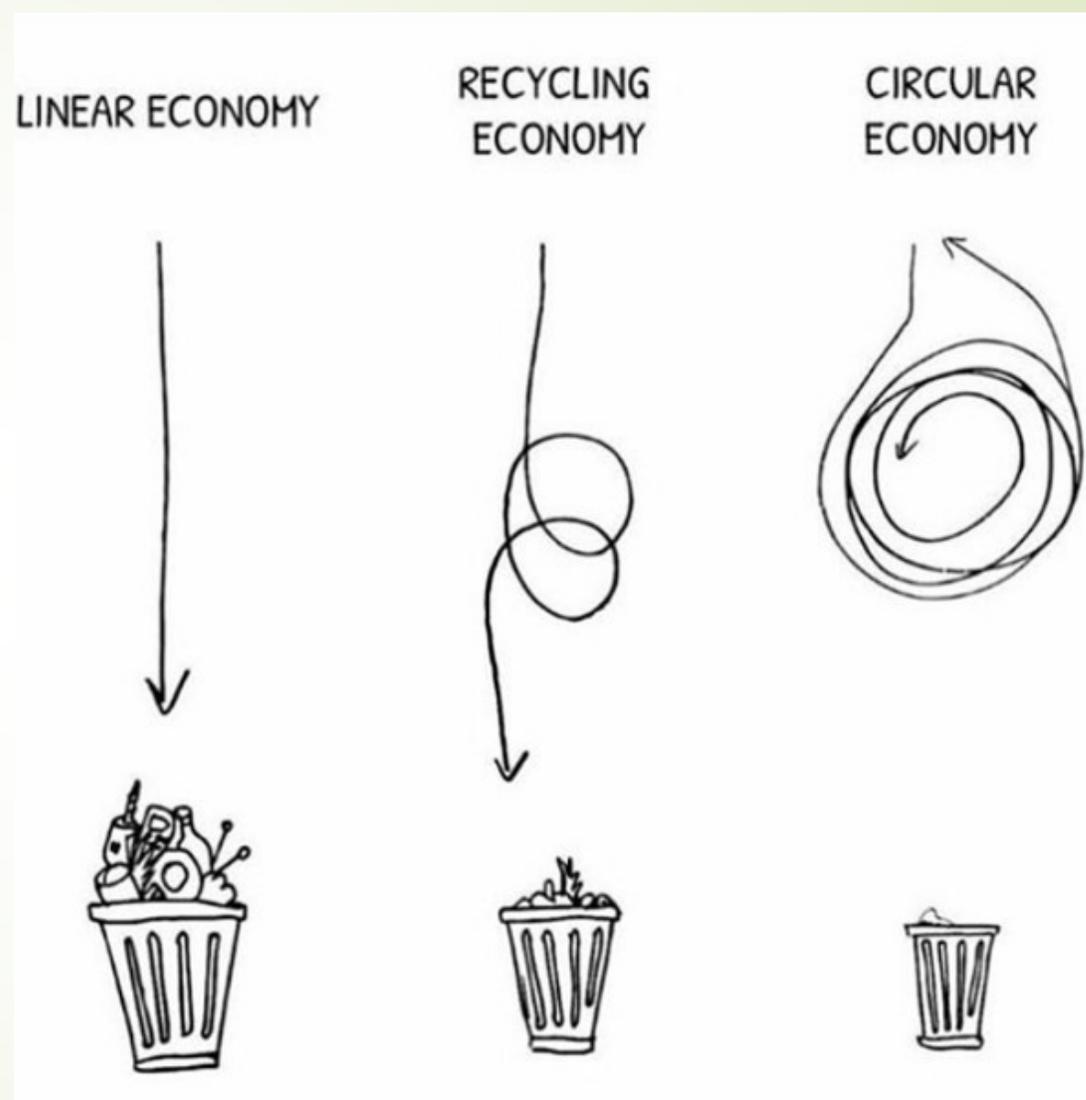


Source : AIE



Geopolitics of Development

- Energy transition what for? To keep the same level of electricity consumption? do not make the transition to maintain the level of consumption (sobriety)
- Reshape our economy form a linear organization to a circular one
- Hydrocarbons: pacifying the transition of rentier economies (see fragile five) and supporting diversification
- To be a real/true game changer, Energy Transition needs to be a whole/complete transition.





What are the main coming challenges?

- Avoid that the Geopolitics of Energy transition become the new Geopolitics of oil
 - Prevent the countries that initiate this energy transition to become champions of inequalities. The transition must be global and inclusive and integrate the reduction of inequalities, not only in terms of access to energy
- 



Quotations...

"The *Stone Age* didn't end because we ran out of stones."

Sheikh Yamani, Former Oil minister of Saudi Arabia

" We do not inherit the earth from our ancestors; we borrow it from our children"

Antoine de Saint-Exupéry