2023

June

Are Volatile Energy Markets Slowing the Energy Transition?

CEO Roundtable White Paper

The Al-Attiyah Foundation

01 OUR MEMBERS

The Al-Attiyah Foundation is proudly supported by:

Various institutions within governments, academia, research institutions and the private sector are addressing the need for mitigating actions to either abate or counteract the effects of climate change. However, it is often observed that the prices of fossil fuels are volatile. This roundtable explored whether the volatile nature of the fossil fuel markets is hindering the transition to less fossil fuel intensive fuel substitutes i.e., the transition to renewable sources of energy.

CEO WHITE PAPER

H.E. Abdullah bin Hamad Al-Attiyah created the Foundation as a platform for knowledge exchange and to support the global community in the quest towards a sustainable energy future.

The CEO Roundtable is an opportunity for CEOs, Foundation members and partners to meet in one room and examine pertinent energy and sustainable development topics.

- Security of supply has become a more important factor than the price of fossil fuels in determining demand for fuels.
- Due to security of supply issues, home based renewables have been slowly but steadily increasing.
- There is little evidence to suggest that short-term price volatility affects the energy transition.
- There is some evidence that in the long-term, price volatility positively affects the energy transition as it is easier to approve Final Investment Decisions (FIDs) when prices are high.
- The energy transition will be difficult but international cooperation and collaboration will be essential.
- The general opinion of the panel was that limiting the global temperature increase to 1.5 C is now nearly impossible to achieve.

CEO SPEAKERS

Moderator:

Stephen Cole, International Broadcasting Journalist at the Al-Attiyah Foundation

Speaker

Stephen Thompson, Global Head of LNG & Natural Gas Consulting Global Head at Poten & Partners

Speaker

Wayne Bryan, Director of European Gas Research at Refinitiv

Speaker

Dr. Valerie Marcel, Associate Fellow at Chatham House

Speaker

Dr. Jan Braun, Head of Hydrogen Cooperation (MENA Region) at Fraunhofer-Gesellschaft

At the start of the roundtable, His Excellency Abdullah bin Hamad Al-Attiyah welcomed members and the guest speakers. H.E. expressed his pleasure at seeing many distinguished individuals and colleagues in attendance. H.E. remarked that the Roundtable was well timed as currently the markets are experiencing high volatility and so there is a need to debate what effect that will have on the energy transition.

Each of the speakers started with a short presentation. A summary of their research and thoughts are provided below:

Wayne Bryan

Mr Bryan said that recent volatility in European markets was chiefly event related e.g., from the COVID-19 pandemic and the Russian invasion of Ukraine. Before that, volatility was much reduced despite steady though slow progress towards reducing climate change effects. It was noted that LNG imports had replaced about half of the lost Russian gas. The market had then been balanced by a warm winter and energy efficiency measures. However, if the 2023/24 winter is very cold and there are pipeline maintenance issues, market volatility will increase once more.

Stephen Thompson

In his presentation, Mr Thompson showed that volatility affects prices in the long-term (presumably because FIDS are easier to achieve when prices are high). However, in the short-term volatility does not appear to effect investment in renewables as such investments are usually part of a longer-term strategy. There is a general feeling that security of supply has become a more important issue as elements of insecurity from single source suppliers have been well demonstrated in recent times, referring to

the Russia-Ukraine war. In this situation, home based sources of energy become more desirable. It should be noted that home-based sources of energy also include hydropower, nuclear power, and fossil fuels in addition to wind and solar power. Mr Thompson concluded that market volatility contributes to the push towards renewable sources of energy through increased investment but also exacerbates our dependence on fossil fuels.

Jan Braun

Mr Braun spoke of how global climate action success will depend heavily on the reduction of oil and gas dependence. International Oil Companies (IOCs) have started to diversify their economies and invest in renewable energy initiatives such as electric vehicle (EV) charging. Some progress is being made in projects for blue and green hydrogen and ammonia. Production costs are very high at the moment and will remain that way until major economies of scale can be achieved. There is also only a small (and insufficient) premium for blue and green products over "grey" products. Some IOCs and National Oil Companies (NOCs) are also establishing Carbon Capture, Utilisation and Storage (CCUS) projects in order to utilise their fossil fuel assets in the long-term. In general, the IOC oil majors have allocated about 15% of their capital expenditure to renewables projects with the European majors. However, it should be noted that it is not only the oil majors who invest in renewable sources of energy.

Valerie Marcel.

The effect of climate change on differing countries along with their responses was discussed.

Different countries have differing levels of exposure to global warming and can be divided into the following three categories:

1) **Low intensity oil and gas users** - These countries have a longer time period to implement changes to their energy consumption habits because of their low consumption and emissions. They are typically importers of oil and gas from the major NOCs.
2) **Oil and gas producers** – They are dependent on oil and gas revenues. Their high energy intensity tends to make them prone to geopolitical ramifications and economically vulnerable.
3) **Low-cost oil and gas producers** - They will be highly impacted by climate change but will be resistant to change and be buffered by high revenues while sales of fossil fuels last.
4) **Emerging oil and gas producers** – They are extremely vulnerable to climate change issues. Such countries are economically challenged as their oil and gas businesses struggle to gain a foothold in the market. Funding is difficult and decarbonisation measures are not being properly addressed.

The floor was then opened to other participants of the roundtable for comments, questions, and discussion. The following are some highlights from the session:

- Many parties make empty promises. These empty promises slow down the progress of other projects.
- Some European countries are now producing significant portions of their energy requirements from solar and wind and this means progress is being made.

- Some European countries have had CCUS systems in place for up to 20 years and while these have proven expensive to run, they believe such systems have played and will play a key role in reducing carbon emissions.
- Issues that create political discourse like racism, imperialism, colonisation, and nationalist movements are increasing. This was seen during the Paris Climate Conference in 2015 which coincided with the 'migrant crisis' where refugees and asylum seekers were the target of scorn by European nationalists. We all need to work together to have a smooth transition, it is "almost impossible" for one country to tackle the problems relating to energy transitions alone, a panellist said.
- The methodology and rules to progress the energy transition are not yet clear.
- The transition depends greatly on technological change. We need to invest in the local economy and involve the private sector more.
- Where major energy imports are dominated by one supplier, the seeds of volatility are already sown.
- We have never been on track towards '1.5 degrees', in fact we are so much off course now, why even set the goal if we're not going to be on target?
- Laws of economics (marginal costs of production and the cost of carbon) and geopolitics is slowing down the energy transition not the will to tackle climate change.
- A major question is: "Can a world desperate for immediate security also meet the long-term challenges of climate change?"
- Major interventions from policymakers in the energy system are required such as the forced retirement of fossil fuel assets, punitive carbon prices and the rapid introduction and scaling up of early-stage technologies.
- It's important to recognise policies are playing 'catch-up' with high prices especially import heavy countries in the Global South.
- We must be cynical and ask who is going to pay the bill. Will it be the consumer or the producers?

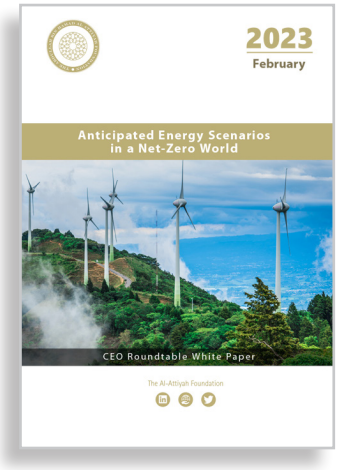
CONCLUSION

In his conclusion, the moderator said that the world is in a pivotal moment in the fight against climate change. The Paris Agreement shows nations have great concern over the future of the planet, but such promises need to be enacted to support change and meet the goals set by leaders in 2015. Summarising key points made by the guest speakers, he added that market volatility has increased investments in renewable technologies, primarily in Europe, and in the process defied the geopolitical and macroeconomic headwinds that roiled most global capital markets. However, he noted that peak oil may not have been reached and global reliance on fossil fuels will persevere for the foreseeable future.

In closing, H.E. Abdullah bin Hamad Al-Attiyah provided his own summary of the discussion, noting the topic was timely and highly important as it affects both multinational oil and gas companies and the general public. H.E. thanked the speakers and guests for their valued contributions and said he is very much looking forward to the next CEO Roundtable that is scheduled for September 2023.

07 PAST ISSUES

Do you want to keep up-to-date with the latest developments in energy? All past issues of the Al-Attiyah Foundation's Research Series, both Energy and Sustainability, can be found on the Foundation's website at www.abhafoundation.org/publications

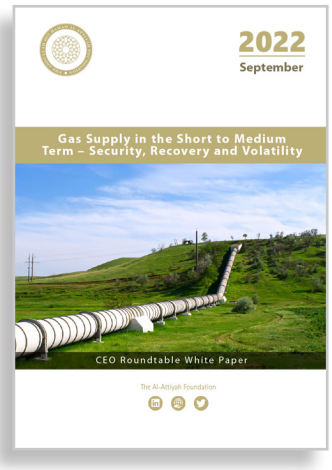


February – 2023

Anticipated Energy Scenarios in a Net-Zero World

Institutions within academia, research organisations, the private sector, and the energy industry have developed energy scenarios. While these organisations have different methodologies and varying assumptions, most of their scenarios are not optimistic about the world meeting targets set by the Paris Agreement.

(QRCODE)

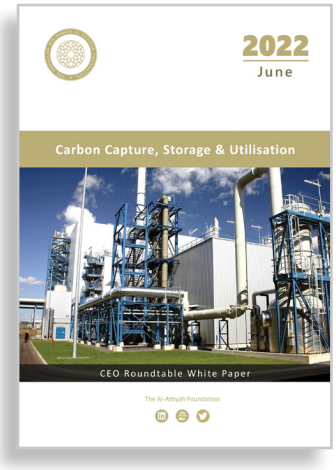


September – 2022

Gas Supply in the Short to Medium Term – Security, Recovery and Volatility

One may be forgiven for believing that the recent spike in gas prices and shortening supply are unheralded. However, some facets of the current situation could have been forecast with a quick analysis of trends from the previous decade.

(QRCODE)



June – 2022

Carbon Capture, Storage & Utilisation

Carbon capture and storage (CCS), or carbon capture, utilisation, and storage (CCUS), is a suite of technologies to capture CO2 from carbon-emitting. CCUS involves three steps aimed at reducing the release of anthropogenic CO2 emissions into the atmosphere.

(QRCODE)

Our partners collaborate with the Al-Attiyah Foundation on various projects and research within the themes of energy and sustainable development.

Qatar Foundation
Unlocking human potential
لإطلاق قدرات الإنسان

KAHRAMAA
كهرماء
Qatar General Electricity & Water Corporation
المؤسسة العامة القطرية للكهرباء والماء

World Petroleum Council

جامعة قطر
QATAR UNIVERSITY

جامعة حمد بن خليفة
HAMAD BIN KHALIFA UNIVERSITY

COLUMBIA UNIVERSITY
IN THE CITY OF NEW YORK

UİP-ICP
ULUSLARARASI İŞBİRLİĞİ PLATFORMU
INTERNATIONAL COOPERATION PLATFORM
İSTANBUL

ISAG
Istituto di Alti Studi in Geopolitica e Scienze Ausiliarie

MITSUI & CO.

إرثنا
earthna

GORD
المنظمة الخليجية للبحث والتطوير
Gulf Organisation for Research & Development

UN GLOBAL COMPACT
United Nations
Global Compact

NATIONAL COUNCIL ON U.S.-ARAB RELATIONS

GULF TIMES

The Al-Attiyah Foundation

Tel: +(974) 4042 8000,
Fax: +(974) 4042 8099
www.abhafoundation.org

Barzan Tower, 4th Floor,
West Bay.
PO Box 1916 Doha, Qatar

AlAttiyahFndn
The Al-Attiyah Foundation
Al-Attiyah Foundation