



Opportunities And Challenges In The Energy Industry

February – 2021

Webinar Series
Whitepaper



The Al-Attiyah Foundation



INTRODUCTION

OPPORTUNITIES AND CHALLENGES IN THE ENERGY INDUSTRY

In 2020 and continuing into 2021, the Al-Attiyah Foundation hosted a webinar series, in partnership with Refinitiv, to explore key trends and insights, in the wake of the continuing impact of the coronavirus pandemic on the energy industry, and the increasing debate on the need to transition to renewable energy. Three distinguished Fellows of the Al-Attiyah Foundation who are internationally renowned as energy trend analysts, were hosted to the most recent webinar in the series, that explored what the future might hold.



Webinar Series

H.E. Abdullah Bin Hamad Al-Attiyah founded the Webinar Series as a platform for knowledge exchange and support for the global community in the quest towards a sustainable energy future. The quarterly events, which have been hosted in Qatar for three years, are a crucial networking and learning opportunity in the calendar of industry CEOs.



KEY SUMMARY POINTS

- The panel was fairly certain that the 2°C target of the Paris agreement will be met but was less sure about the progress toward 1.5°C.
- It was thought that short term outcomes were more difficult to predict, because of the pandemic, than the long term.
- The panel was positive about the amount of technical progress that was being made on cutting fossil fuel usage and hence on carbon dioxide emissions.
- Whilst progress can be thought to be slow, final changes to an energy transition could be quick – a cliff edge phenomena.
- Energy companies (both IOCs and NOCs) face many challenges and will have changes forced upon them. They can all look forward to lower profitability.



Robin Mills, Chief Executive Officer, Qamar Energy.

The discussion started with a short presentation, by Robin Mills, which set the scene for further discussions. In that presentation, Robin set out six "six pillars" which would influence future developments in the energy industry particular in the GCC area. These were:

- OPEC+ cooperation but with members having differing ambitions;
- Opportunities for down-stream growth but with some overcapacity problems, stranded assets and of course carbon dioxide emissions;
- Production of gas both for domestic and export uses plus again emissions;
- The issue of carbon capture technology and its costs;
- Hydrogen as a fuel and its opportunities in a hydrogen rich environment (hydrogen from methane); and
- Growing competition from renewables.

All speakers were concerned about market share, not just amongst oil producers but with other energy sources as well. Prof. Stevens

KEY SUMMARY POINTS

commented that under these market conditions we can expect wild price gyrations. He noted that 60% of liquid fuels were associated with transport and the situation after the pandemic was difficult to judge. Surprise was expressed at how stable the public thinks prices are.



Prof. Michael Grubb, Professor of Energy and Climate Change, University College London.

Prof. Grubb commented in a similar vein but distinguished between the short-term and the long-term energy positions. The short term he judged as being "difficult" but the long term more predictable. He said that the climate change issue has now been with us for 30 years, which may make some to consider actions to be too slow to evolve. However, looking at how far the science has evolved, is an indication of progress. Perhaps one problem area will be the tackling of growth in energy demand while at the same time transitioning to non-fossil fuels, as climate change demands.

Prof. Steven also pointed out that International oil companies (IOCs) are changing rapidly. Profits for the IOCs would fall as they would no longer be able to capture "economic rent", because of competition from

renewables that are much more diverse in their sources, making the capturing of economic rent more difficult. He also mentioned that IOCs and National Oil Companies (NOCs) have a poor record in attempting diversifications.

The geopolitical situation with respect to Climate change was discussed. The panellists all agree that the return of the USA to the Paris Agreement, has definitely strengthened the Climate Agreement. The commitment by China to a net-zero emissions by 2060 and other similar statements by industrialised nations have also given hope for the aspirations of the Paris Agreement being realised. However, the panel had some misgivings about the short-term political situation. Prof. Stevens expressed the hope that the US was not into four yearly

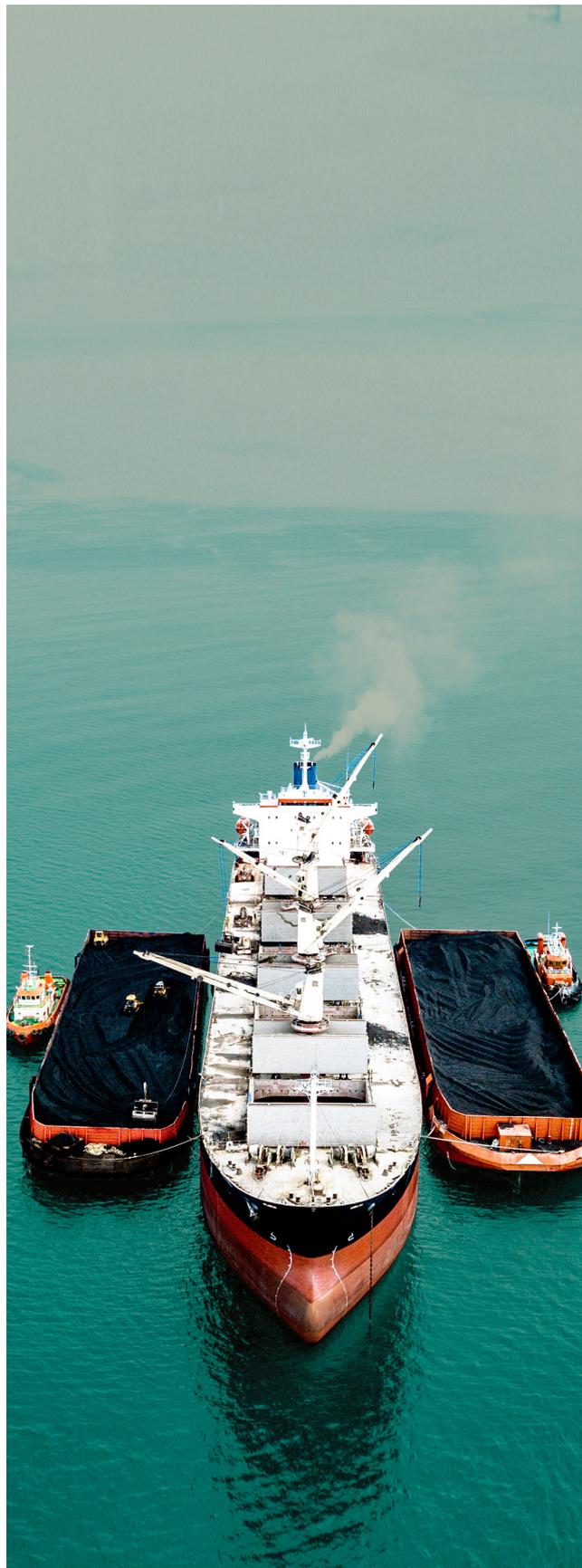




Prof. Paul Stevens, Distinguished Fellow, Chatham House, the Royal Institute of International Affairs.

gyrates of policy as governments in the US change. Prof. Grubb pointed out that disruptions in demand were not yet over despite the start of good news concerning the progress of vaccinations in some countries. For instance, Jet fuel consumption coupled with the impact on travel and hospitality industry, remains a problem area. Robin Mills pointed out that there was a definite split in the approach to climate change amongst consuming nations. The USA remains fossil fuel biased, with the IOCs there concerned with mitigation of emissions. In Europe, IOCs seem to be moving away from fossil fuels towards supporting zero carbon energy sources. Of course, what China does is paramount as it is the world's largest emitter of carbon dioxide. Here its position with regard to coal-based plants is anomalous. The panel was in agreement however, that with more diverse sources of energy, a more secure and peaceful world may be a long-term result.

The discussion then moved to gas. There was a general recognition that gas is replacing coal as an electricity generating fuel, in many

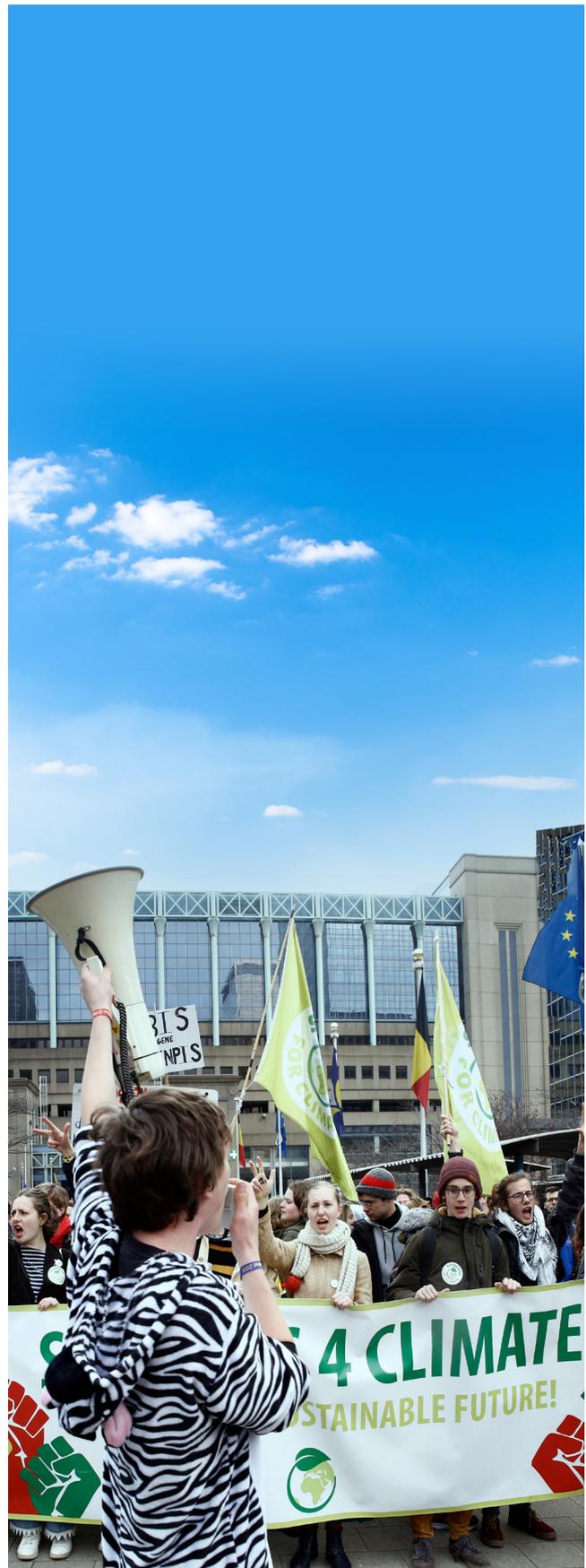


KEY SUMMARY POINTS

countries. However, to take its place in a final energy mix, post 2050, gas needs to literally “clean up its act” with respect to methane emissions. Prof. Stevens expressed the opinion that if climate change disasters e.g. storms, fires and droughts become worse, then in democratic countries at least, the demand to “do something about climate change” will increase. So, governments will be forced to act!

The role of hydrogen as a fuel was also discussed. It is viewed as a possible option for some hard to abate industries. Other technologies, such as batteries and carbon capture, are also seen as playing some major roles. The lowering cost of solar and wind power, is believed to be a big game changer.

All the panellist agreed that COP26 would be a major landmark event, if it takes place. The first stocktake of NDCs, as provided for in the Paris Agreement will be the major focus at COP26. Therefore, there would be a lot of scrutiny of the proposed ambitions and targets of the major emitters and the actions required, by 2030 and 2050, to meet the goals of the Paris Agreement.



THE TWO (2) POLL QUESTIONS FOR THE AUDIENCE

The polling of audience, that has become a popular tool for engaging the audience in webinar discussions, was employed in this webinar. The two poll questions that were used to elicit the views of the larger audience, as well as, the breakdown of the responses from the audience are shown below:

Question 1:

Which sector will be the most substantial contributor to an increase in global LNG demand in the next two to three years?

The poll results were:

Usage of LNG	% of Audience who voted for each usage
Power Generation	76.2
Industry	14.3
Transport	4.8
Space Heating	0
Bunkering	0
No Increase	4.8

The panellists observed that these results were not surprising, as it is obvious that coal would continue to be displaced, and gas would always be needed for standby power and other grid usages. Though as technologies change, batteries may eat into these uses and significant shift in energy mix should be expected.

Question 2:

Several supermajors have pledged to reduce the methane intensity of their upstream gas and oil operations to below 0.25% by 2025, from 0.32 in 2017. Do you see this target as being realistic and feasible?

The poll results were:

Answer	Votes by % Audience
Yes	64.3
No	7.1
Not sure	28.6

There was consensus among the panellists that this target can be easily met and that oil and gas producers need to try harder.

Moderator:



Axel Threlfall,
Editor-at-Large,
Reuters.

Speaker:



Robin Mills, Chief
Executive Officer,
Qamar Energy.

Speaker:



Prof. Michael Grubb,
Professor of Energy
and Climate Change,
University College
London.

Speaker:



Prof. Paul Stevens,
Distinguished Fellow,
Chatham House, the
Royal Institute of
International Affairs.





OUR MEMBERS

Currently, The Foundation has over 15 corporate members from Qatar's energy, insurance, and banking industries as well as several partnership agreements with business and academia.



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





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