

Remarks by IEF Secretary General, Joseph McMonigle

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I thank the Ministry of Energy of the Russian Federation and the Institute of Energy and Finance for inviting the IEF to this fourth international conference on risk management in the energy sector. It is good to join this panel with so many friends and colleagues from IEF member countries and partner organisations.

Russia is an important player on global energy markets and a strong supporter of global energy dialogue among producers and consumers at the IEF.

I also add a special thanks to the Deputy Minister of Energy of the Russian Federation, Mr Anatoly Yanovsky for his words and look forward visiting Russia to meet in person soon. Highlighting to the opening remarks of the Secretary General of the Black Sea Economic Cooperation Organisation, Ambassador Michael Christides, I am pleased to announce that Romania will join the IEF as the 71st member country. The IEF will continue to grow its membership as in-person energy diplomacy returns to normal over the coming months.

It is good to see that Greek Minister of Tourism Harry Theoharris has reopened the country for international travel just last Friday. Energy, aviation, and tourism have been among the hardest hit industries. Their recovery is co-dependent and stands to make the largest contribution to re-establish energy market stability, economic growth as well as employment.

While the world makes steady progress on vaccinations, market risks remain unusually high as the tragic resurgence of COVID-19 cases in India shows. The IEF keeps supply and demand trends under close review through high-level meetings, the comparative analysis of short-term market trends, and regular insight reports. These IEF activities provide an alert regarding the risk that investment delays, energy market data gaps, and policy uncertainties pose to a post-covid economic recovery that is clean, affordable, and fair.

2020 is a transformative year that has reshaped the future.

1. On one hand, risks and uncertainties loom larger over energy trade and investment. Energy market volatility will increase before markets rebalance.
2. On the other hand, many new opportunities for collaboration in energy markets, sustainable development, and climate policy have emerged. These will allow us to work better together to manage the new risk environment.

*To my first point:*

In all main scenarios considered, hydrocarbons remain the mainstay of the global energy mix and an integral part of the solutions we seek. The technology innovations and growing available capital in the sector give us the tools and leverage to build back better: Increase affordable access, and reduce carbon dioxide, methane and other greenhouse emissions while strengthening market stability, investor confidence, and trade.

However, pathways to reach shared goals show ever wider variation between the highest and lowest projections for world energy demand in 2040.

This difference highlights a growing “gap” between the UN shared goals on sustainable development and climate change, that we all agree are necessary, and those likely to occur under policies announced in 2020 that reflect current pathways and market realities.

To bridge this “gap” the world must, step-up research development and deployment across all energy sectors to scale-up investment in clean energy and carbon abatement technologies.

Here oil and gas companies, the nuclear sector, and carbon intensive industries such as steel, cement, and petrochemicals, play a central role to complement what energy efficiency and renewable energy can do – which is a lot but not nearly enough.

Without a marked increase in clean technology deployment, the social divides will deepen between advanced and developing economies.

Open minds and open markets should drive technology choices. This will avoid increasing transition costs, price volatility, and entrenching unemployment in the achievement of the climate and sustainable development goals we all want.

To ensure investment trade and technology choices continue to be made on stable, open, and competitive markets, there is an urgent need to:

1. Enhance transparency of ESG standards, regulations, and market signals,

2. Benchmark industry performance, through improved data comparability,
3. Balance the E and the S of ESG: the environmental (Climate, pollution, and health) criteria with social (access, affordability, and jobs) criteria.

New climate ambitions must align along supply chains that span different market settings and across regions that will enable the energy sector to innovate and lead in the deployment of clean energy technologies at the scale required.

Climate raises the bar for investing in the oil and gas sector especially in OECD economies. On one hand this drives debates on the role of natural gas in Europe and increasingly so the US. While the OECD sharpens focus on how natural gas contributes to the green pathways it envisages, it remains the fuel of choice to enable successful transitions in non-OECD growth economies. Non-OECD economies will lead the global recovery by lifting their growing population from poverty and improve lifestyle and life-expectancy.

Natural gas demand may either grow by almost 40 percent or drop by 30 percent by 2040 globally in the central and alternative forecast scenarios issued by energy agencies. This demonstrates that policy and technology pathways for gas markets remain uncertain. But it also limits investment in the clean technologies we seek. As price volatility and regulatory burdens increase, options for coal to gas switching and sustainable growth narrow considerably.

Sustainable and inclusive growth in Africa, South East Asia, Latin America, and the Caribbean will continue to depend on international

financial institutions and development banks to secure investment in hydrocarbon projects in developing countries as well.

The unintended consequence is an increased risk that global emissions will rebound before they reduce. A world that relies on hydrocarbons needs to keep minds and markets open to roll out the deep decarbonisation solutions that we need.

*To my second point:*

The endorsement by the G20 of the Circular Carbon Economy last year and the various Net-Zero emission strategies both governments and industries have announced create a “New Energy and Climate Solidarity” among the world largest producer and consumers.

The increased level of ambition to cut greenhouse gas emissions and build back better to the benefit of all, should also widen the space for solutions to scale up investment in carbon neutral growth. This must translate into increased investment, trade, and technology transfer for clean technology deployment that range from renewables, hydrogen, and carbon sequestration. It must also extend to the circular carbon economy with opportunities for large industrial clusters and nature-based solutions.

Producer consumer dialogue and constructive engagement between government and industry leaders is not all we need. Interests between company shareholders and stakeholders in society must be better aligned to ease permitting and deployment to provide greater predictability and investment.

This New Energy and Climate Solidarity on which today’s Climate Summit builds will help to establish a more cohesive market context that the industry needs - not to adapt but to lead.

Looking forward to the Glasgow Climate Summit, I am hopeful for a renewed effort to stimulate clean technology investment that helps to strengthen international collaboration on research and development as well as industry-scale deployment of new clean technologies.

To give one example, our research shows that Carbon Capture Use and Storage technologies (CCUS) are still on a “too little too late” trajectory. Around 20 CCUS projects entered operation over the past two decades. More than 2000 large-scale projects will have to be in operation by 2040, the industry estimates.

Getting hydrogen at scale must help to accelerate CCUS deployment and facilitate deeper integration of renewables and carbon abatement solutions in industrial clusters as well. Though the quest for net-zero and the hydrogen economy are long-term goals, they can serve as enablers to fast track “overlooked technologies” today.

Beyond natural gas and CCUS this includes advancing new Nuclear technologies. Russia already plays a major role in all of these areas. The IEF will continue to work with Russia and other IEF member countries and industry stakeholders to accelerate energy investment and trade in all solutions that fit national policies and global commitments as well.

Thank you.