

Sources of Conflict over Energy Resources During the Next 30 Years

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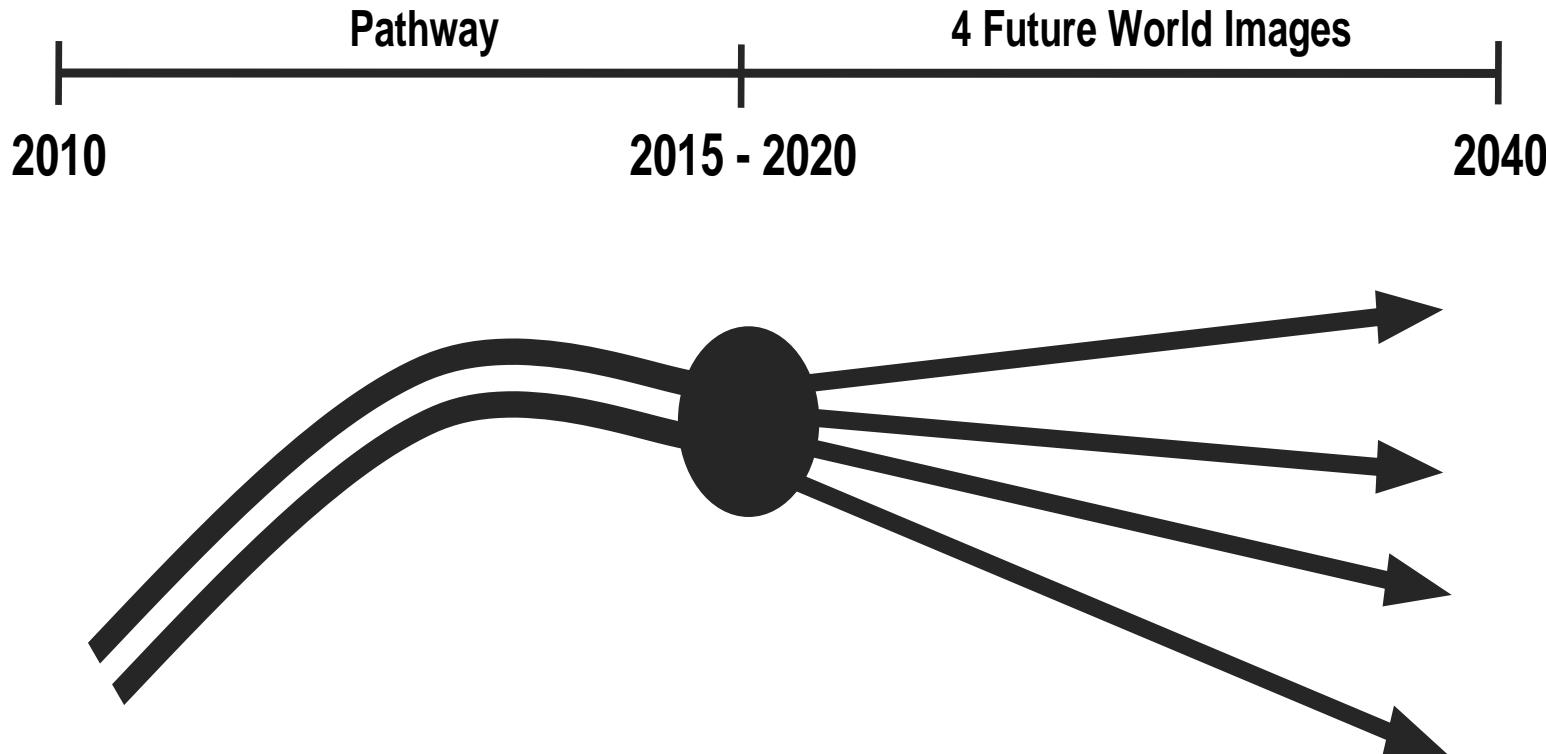
The Project

- “Competition and collaboration in access to oil, gas and mineral resources”
 - January 2010 – December 2012
- **Policy objective 1:** To identify the main global challenges relating to competition for access to oil, gas and mineral resources to the year 2040.
- **Policy objective 2:** To propose new approaches to collaborative solutions for the various policy actors, including the EU.

Topics

- Short-term: Return of state capitalism and impact of global recession
- Long-term: Sources of tension/conflict
 - Access to energy markets and the role of institutions & governance
 - Trade and rent distribution in energy value chains
 - State and private ownership drivers
- The role of technology
- Four future world images

Looking to the future



Source: Conceptual only, CIEP Analysis (2012)

Short-term to 2020

- *Return of state capitalism and impact of global recession*
- High resource prices allow return of state capitalist practices
- New actors, new norms
- Global recession high energy prices place resource-importing countries at further disadvantage
 - North America rescued by new energy resources
- Unstable period full of risk and uncertainty

Access to markets

- *Access to energy markets and the role of institutions and governance*
- Key issue: mismatch between existing governance institutions and changing power distribution/norms
- Implications:
 - Unequal playing field for access to energy
 - Reduced efficiency of production and markets
 - Risks of underinvestment in new production capacity and clean energy

- *Trade and rent distribution along energy value chains*
- Key issues:
 - Changing energy trade patterns
 - Concentration of rents upstream
 - Growing monetary asymmetries between exporters & importers
 - Recycling of petrodollars through SWFs
- Asymmetries:
 - vary with resource price
 - hinder cooperation



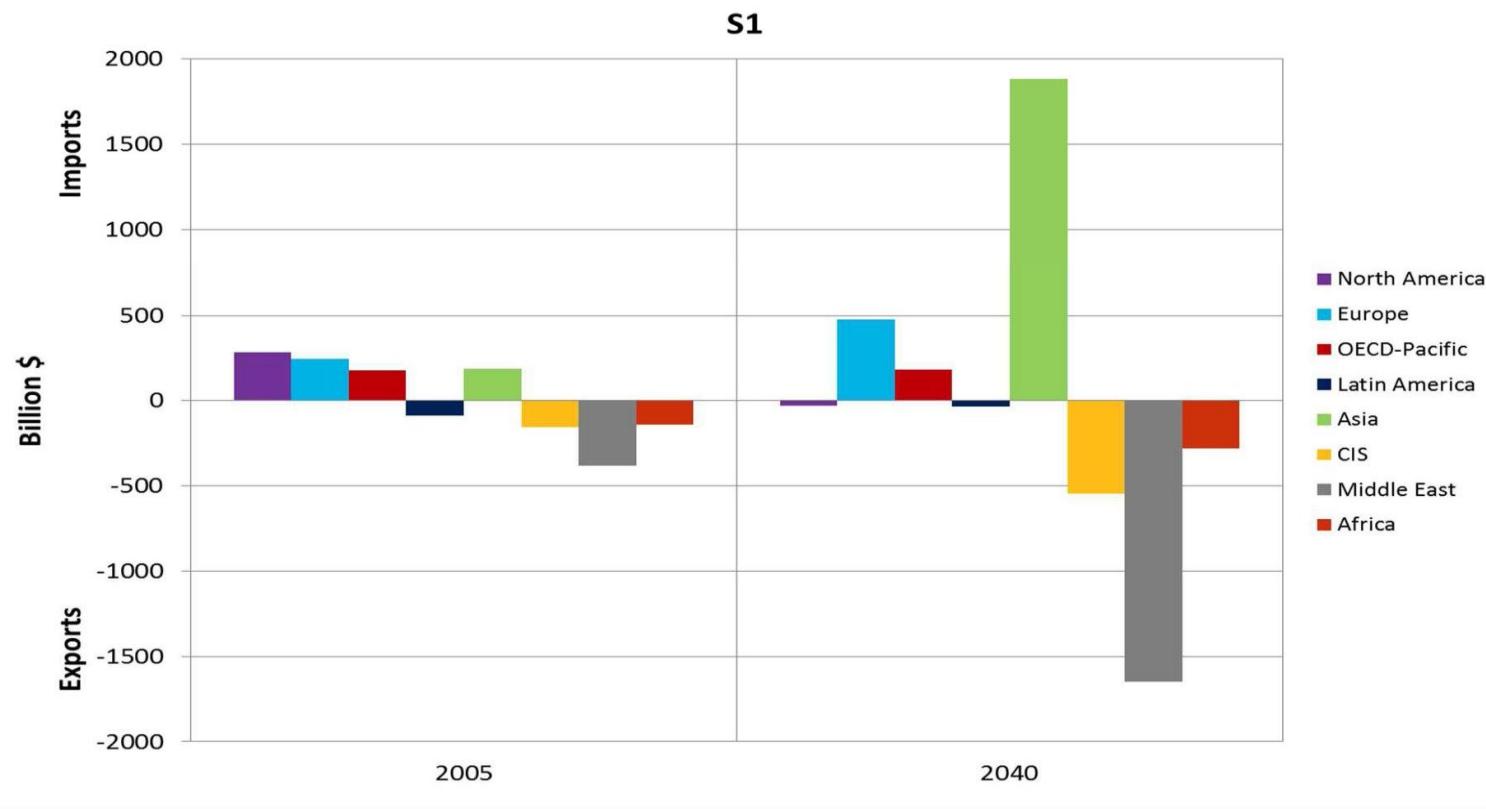
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Net oil import revenues

Oil Bill in S1



- State and private ownership drivers on the energy value chain
- Key issue: diverging strategies of state and private companies
 - Upstream and downstream integration by NOCs
 - NOCs as tools of government policy - security of supply and demand
- Implications:
 - Competition for IOCs and independents
 - Reduced market effectiveness in tight conditions

Technology

- *Effects of technological change on global energy markets*
- Great potential for lowering cost of new (& conventional) energies
- Actors:
 - Governments (Germany, China)
 - Private sector (USA)
 - Society (acceptance)
- Timing and impacts highly unpredictable

Future World Images

Multilateral Institutional Structure

#1

Bretton Woods 3.0:

International private energy companies dominate trade; economic oriented multilateral governance

#2

Celestial Dragon:

Internationally operating state energy companies dominate trade; politically oriented multilateral governance

Market economy

Strategic economy

#4

Fracture:

Conglomerates compete for dominance of value chains; weak state governance

Rubik's Cube:

Regional or national energy monopolies; trade regional/bilateral; strong state governance of economy

#3

National Institutional Structure



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Outlook

- Short-term:
 - Economic and regulatory outlook uncertain
 - Investment in capacity may be insufficient
 - Price and supply risks will be high
 - Cooperation will be more difficult
 - Environmental priorities set aside ?
- Longer-term possibilities:
 - New geometries of economic and political power
 - New norms and values
 - ? End of Transatlantic Community norm setting
 - Choice: engage or resist/obstruct or defend?



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