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Energy Crisis: The Global and European Dimension

The seriousness of the global energy crisis came out glaringly in the release in September of a review of the progress on meeting the Paris Agreement goals by IPCC, referred to as the 'Stocktake'. This takes place every five years and is designed to show how country promises compare with what actually happened, and push nations to step up their efforts to reduce emissions, culminating with talks and decision making at COP28 in Dubai end of this month.

As expected, the Stocktake found that the world is far off track. Countries' current policies and pledges would fail to meet that goal. Meeting it would require drastic cuts in emissions by 2030. This has increased pressure on 'phasing-out' fossil fuels. But with intermittency of renewables continuing to be a problem, energy security concerns have shifted emphasis to 'phasing-down' of fossil fuels, not out. This is expected to be at the centre of talks at Dubai.

The COP28 climate talks are expected to set the direction for how the world will tackle and contain the impact of climate change over the rest of this decade, but are also expected to be intense and contentious.

The biggest issues at COP28 are drastic cuts in emissions, the role of fossil fuels, the responsibility of developed countries to aid developing countries with the cost of energy transition and climate change adaptation.

The bluntest message on the road to COP28 came from Antonio Guterres at the UN General Assembly in September. Citing extreme temperatures and weather-related events this year, he said that

current climate action is falling abysmally short. He called for a global phase-out of oil and gas. This will set the tone in Dubai.

But that was not a view shared by China that made it clear “it is unrealistic to completely phase-out fossil fuel energy” and opposes fossil fuel ‘phase-out’ language.

The COP28 president, Sultan Al Jaber, supports development of clean energy to phase-out oil and gas production as soon as possible. The question, though, is by when?

In an industry event in September, the CEOs of Saudi Aramco and ExxonMobil confirmed support for the global transition to clean energy, but they also said oil and gas will continue to play a major role for decades to come. As Darren Woods of ExxonMobil said “There seems to be wishful thinking that we’re going to flip a switch and we’ll go from where we’re at today to where it will be tomorrow.” Transition is a lengthy process. And while that is happening “if we don’t maintain some level of investment in the oil and gas industry, you end up running short of supply, which leads to high prices.” Phasing-out conventional energy prematurely could put energy security and affordability priorities at risk.” We cannot shut down the energy system of today before we build the new energy system of tomorrow that is equipped with zero-carbon emission sources. These are realities that cannot be ignored or wished away.

There will be fierce arguments at COP28 between future use of abated and unabated fossil fuels. Participating countries are already divided between those, such as the EU, who are calling for a phase-out of fossil fuels and those who prefer to talk about phase-down, seeing a role of CCUS and emissions abatement in the energy transition, such as China and Saudi Arabia.

As the Saudi energy minister warned, “politicians must be honest about the challenges ahead, including costs and the risks if the shift isn’t managed well.”

The ultimate challenge for COP28 is to strike a balance in facilitating a just, energy-secure, low-carbon future, while simultaneously reducing emissions and driving economic growth.

Al Jaber's more sobering views may yet prevail at COP28. "We need to be practical, realistic, and sober about what it is going to take, to allow for the world to continue to evolve and to progress, and to grow in a way that is responsible, while also building the new energy system."

"The phase down of fossil fuels is inevitable. It is in fact essential. But it cannot be done irresponsibly. We must manage this transition, ensuring energy security, accessibility and affordability, while also sustaining socio-economic development. The speed of the transition will be driven by how quickly we phase-up zero-carbon alternatives."