**Politics of global energy**

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The world, especially Europe, is moving away from coal-fired power generation towards natural gas-fired generation to meet its conventional power requirements; this is mainly due to environmental concerns. At the COP26 climate summit, nearly 40 countries agreed to phase out coal-fired power plants.

Germany is closing coal-fired generation plants – it has already phased out nuclear generation – and Portugal shut down its last coal power plant in the fourth quarter of 2021. Belgium, Sweden and Austria have also shut down their coal-fired power plants. Resultantly, natural gas demand for electricity generation has increased while the available supply has failed to match it, especially as the economies recover from the pandemic-related slowdown worldwide.

It is significant to mention that natural gas-fired generation provides much sought-after flexibility to the electricity grid needed to cater to intermittent renewable generation in the mix.

The gas shortage soon spilled over into other sectors as the countries shifted back to oil and coal for conventional power generation, leading to a spike in the coal and oil prices. The electricity sector is also severely affected by the global energy crisis as the fuel cost component against which independent power producers compete in the wholesale market reached a record high. In response to such unprecedented surge in electricity demand and, consequently, power prices, countries are moving to provide a much-needed financial cushion to consumers.

For instance, French President Emmanuel Macron who has not yet officially announced that he would be running for a second presidential term in April has moved to cap both gas and electricity prices.

Currently, LNG cargoes from Asia and the US are being diverted to Europe to partly fulfil the demand for natural gas in the region. Also, regardless of the ability of US and Asian spot markets to supply LNG cargoes, these shipments are unlikely to offset the shortage if the supply from Russia comes to a complete halt. For LNG import, special terminals are required – and it appears that Europe does not have that kind of LNG import capacity.

Underground storage facilities for natural gas extended the much-needed flexibility to the European natural gas market in the winter, but the lower-than-normal inventory levels have increased concerns pertaining to energy security in the region. Russia through the state-owned entity ‘Gazprom’ is blamed to have deliberately kept the storage levels low and squeezed the supply artificially in order to pressurise the EU to handover the operating licence for Nord Stream 2 which is a $11 billion undersea natural gas pipeline connecting Germany and Russia.

Around one-third of the natural gas to Europe is supplied by Russia and as Europe’s local production declined over the years, natural gas supplies from Russia have become critical.

France’s nuclear generation has also gone down as five out of 56 generators have been shut to check for cracks and corrosion, and carry out maintenance work accordingly.

For decades, the French state-owned utility EDF’s nuclear fleet has supplied electricity to neighbouring European countries including the UK, Spain, Italy, Switzerland, Belgium, and Germany. This has widened the scope of problem from within France to all of Europe where on the other hand it is expected that more EDF nuclear generators may go out of service partly due to safety concerns and maintenance.

The government of France is forcing the EDF to sell electricity to domestic consumers at a sharp discount aimed at saving consumers and Macron’s politics. This move is estimated to cost $9 billion to the EDF while the minority investors have already moved to exit, leading to a 25 percent drop in the company’s shares in January.

Under pressure from large oil consumers including the US, Japan and India seeking a fast increase in oil production, the world’s biggest cartel OPEC has agreed to gradually increase the production of oil – by 400,000 barrels a day from March. This is despite the inability of certain member countries in the cartel to match the committed increase in production. For instance, according to the International Energy Agency, in December 2021, OPEC could increase oil production by only 250,000 barrels per day as Nigeria, Angola and Malaysia underproduced.

This, in turn, has led Goldman Sachs to revise forecasts regarding oil which it now expects to cross $100 per barrel in the third quarter of 2022. This is a cause of concern for not only advanced economies but also developing economies which are already reeling from the impact of the pandemic.

Pakistan, which was already struggling to maintain foreign exchange reserves, observed a drastic increase in its oil import bill by over 97 percent to $4.59 billion in the first quarter of the current fiscal year. This led to an unprecedented hike in the fuel and electricity prices, causing further inflation and shrinking people’s purchasing power. It is significant to note that the government failed to procure long-term LNG contracts (as low as $4 per MMBtu) in 2020 out of sheer incompetence – and possibly influenced by the furnace oil mafia. Had it not been for the long-term LNG contracts done by the previous regime, the situation would have been much worse. LNG is now being traded at $30 per MMBtu.

We are in the fourth year of the PTI-led government, and the regime is yet to offer anything substantial on the energy front and even otherwise, other than a double-digit inflation rate and reduced purchasing power. The opposition, on the other hand, is unlikely to move to remove perhaps the most unpopular government in the country’s history before time unless a caretaker setup is agreed upon which takes the brunt of the energy crisis.

With what lies ahead in the global energy market, letting this regime complete its tenure could easily be the best revenge taken from Imran Khan and powerful quarters that brought him to power in the first place.

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