Summary of the Tuck Foundation meeting on

The geopolitics of energy after the election of Joe Biden

Monday, March 1, 2021

Introduction: **Andreas EHINGER**

Moderator : **Jean-Pierre FAVENNEC**

1. Presentation by **Fereidoon SIOSHANSI** - President of Menlo Energy Economics on

The new American energy policy

Trump was defeated but he is still supported by tens of millions of Americans who continue to believe in the theft of his "victory".

The majority for the democrats is weak and the senate very divided as is the country with almost 2 countries without unification. At the same time, the country is confronted with the Covid pandemic, important economic and employment problems, income inequalities, climate crisis,...It is a polarized and devastated country. The recovery will be difficult.

However, Trump's energy policy has been widely questioned by the facts. While Trump wanted to revive coal, coal consumption has decreased and renewable energies have progressed to reach the same level as coal.

It should also be emphasized that the policy, especially the energy policy, is largely determined by each state. Thus when Trump denounced the Paris agreement, the governor of California was talking to Xi Jinping about climate problems.

Biden has an ambitious green agenda of which he has already given elements during the first 10 days of his mandate: return to the Paris Agreement, questioning of the Keystone pipeline, prohibition of oil and gas drilling on public land or offshore, carbon neutrality in 2050, etc....

But all this does not change fundamentals. It will be difficult to implement while the first priorities of Biden are to eradicate the pandemic, revive the economy, create jobs, and prepare for mid-term elections and the re-election of a Democrat as president with a divided Democratic Party.

In the questions to Fereidoon SIOSHANSI, **Olivier APPERT** specified that the environment is an opportunity for Biden to create jobs and boost the economy, whereas for Trump it was an obstacle to the development of the USA. It was also mentioned that US governance is federal and that each State has its own targets.

2. Intervention by **Pedro HAAS** Director of Advisory Services in Hartree Services on

Consequences of Biden's election on relations with the Middle East

The government policy is one thing but the private sector and the financial market was reflecting a complete other way than the one followed by Trump. The private sector is going ahead. As a consequence, hydrocarbons share is going to shrink, although it will remain at a stable absolute value during the next 10-15 years.

It is too early to understand what will happen with Biden notably on the deployment of troops in the Middle East.

But it is obvious that Middle East is not the fore-front or in the center of the policy of Biden. The climate change and the competition with China seem more important for the Biden's administration.

Biden will be confronted with the renewal of the American nuclear arsenal, which will be extremely costly and he will undoubtedly try to negotiate an agreement on these weapons with Russia and China to reduce these costs.

The CIA's implicating of Mohammed Ben Salman (MBS) in the assassination of Jamal Kashoggi shows that Biden is ready to defend Saudi Arabia but not necessarily to support it, a sort of balance against MBS.

The attack on an Iranian-backed mercenary base in Syria on the border with Iran is a warning to Iran there too to ensure a balance between attempts to resume dialogue with Iran on nuclear issues and the need for Biden not to give the impression of supporting Iran seen as the devil by Republicans and Democrats. Moreover, the political situation in Iran does not facilitate the resumption of a dialogue. Consequently, there is a risk is to reach an agreement at the very least.

Biden also wants Saudi Arabia to disengage from the civil war in Yemen, which has led to a massive humanitarian crisis. The situation in Yemen is very complicated and the US can hardly hope to control the civil war, but at best to reduce it.

The weight of the Middle East in US politics should be reduced, even if this reduction will be difficult.

Olivier APPERT raised a question about the relationship with Turkey which might become more conflictual because Biden should give more importance to a policy respecting democratic values. However, pragmatism should prevail.

The Biden administration knows that US policy in the Middle East has not been very successful and should prefer diplomatic solutions coupled with possible military attacks.

3. Intervention by **Keisuke SADAMORI** Director, Energy Markets and Security, International Energy Agency

Consequences of Joe Biden's election on relations with Asia

Energy demand decreased last year by 9%. Among the fossil energies, only natural gas increased and China is the only country in the world to have increased its energy consumption.

As far as "climate diplomacy" is concerned, despite gradual decarbonisation, there has still been investment in fossil fuels.

Biden can change the American energy policy to move towards decarbonisation, it is a voluntarist initiative. Hoping to reduce greenhouse gas emissions by 50% by 2030 is too ambitious. Europeans support Biden's decarbonisation announcements even if they seem unrealistic.

Korea claims carbon neutrality by 2050 and China by 2060.

For India, an objective of carbon neutrality will be more difficult to achieve and urbanization should increase electricity consumption, especially for air conditioning. In India, coal should gradually be replaced by natural gas. The IEA supports this policy which should not, however, curb the evolution of consumption in India.

For Japan, decarbonisation depends mainly on new hydrogen production technologies. Offshore wind power will be crucial for Japan but will require time and investment.

As far as low-carbon technologies are concerned, they are growing very fast. China is at the forefront with competitive equipment and low labour costs. On solar photovoltaic and wind power China has the advantage. At the same time it is increasing its gas availability. China is also investing heavily in hydrogen.

Biden wants the USA to become a leader in environmental technologies.

As for oil and gas, they will continue to grow in Asia, particularly through the increase in vehicles, which will not all be electric.

China is consolidating its oil and gas supplies.

Oil production in Asia is expected to decline.

Olivier APPERT raised a question about the relationship between USA and China. The US policy will probably not change very much but adjustments will be made. China and the US should at least cooperate on climate change. Nixon's opening to China was driven by the idea that it was better to have China together with the other nations

4. Presentation by **Marina LASTOVSKAYA** Professor Gubkin University on

Nord Stream 2: The new US position

In this affair, Merkel supports the Nord Stream 2 project and also the sovereignty of Europe which must be free to make its own choices.

Denmark has accepted the laying of the pipe in its waters. However, due to the threat of American sanctions, the Swiss ship, which had been laying the pipe and had the world's most advanced technology for the laying of the pipe, was withdrawn from the project. Also 16 companies working on the project withdrew from the project.

The 2 boats remaining on the building site even if they do not have the most advanced technology should finish the laying in 2 to 3 months or even 5 months maximum because the building site is 95% finished but nobody can say if the pipe will be finished or not.

To solve the problem Merkel had proposed to Trump the realization of 2 LNG terminals dedicated to US LNG but Trump refused this proposal.

Biden is looking for ways to suspend sanctions concerning E.U. companies and establish a constructive dialogue with Germany.

The USA is defending the interests of Ukraine whose budget depends on the royalties generated by the transit of Russian gas through its territory. It is clear that the transit through Ukraine will not be economically necessary when Nord Stream 2 is commissioned. However Russia has signed a 5-year agreement with Ukraine for the passage of 65 billion m3 of gas.

The stakes for the stakeholders are as follows:

- For the USA to support the Ukrainian claims and the export of US LNG to Europe

- For Europe, the fear of being dependent on Russia, but this thesis does not hold up in the face of the great diversification of gas supplies in Europe and the high European LNG storage capacities in LNG that are currently only 30% full. Moreover, European legislation will impose the liberalization of the gas market.

- For Ukraine a matter of life and death

- For Russia competing with the USA in Europe

Germany has proposed various solutions:

- Creating a mechanism to stop the supply of Russian gas with a problem of supply to its customers

- Ask Russia to provide guarantees and release Navalny

In fact, Nord Stream 2 was started 10 years ago, but the context has changed and gas consumption is expected to decrease in the face of environmental pressures. Germany only needs gas for 15 to 20 years. The idea would be beyond passing hydrogen through the pipe.

Olivier APPERT considers that Nord Stream 2 will be finished, but may be used only at partial capacity, due to the decrease of the gas demand in the E.U. He mentions the problems posed by hydrogen, mainly cost and safety .