

1 NOVEMBER 2021

VOLUME 3 ISSUE 4

SYNERGY

BİLKENT ENERGY POLICY RESEARCH CENTER NEWSLETTER

COP26, James Bond,
Bill Gates, and Elon Musk

07 10 12

KEEP CALM
AND
BLAME RUSSIA

RUSSIA'S RETURN TO
AFRICA: COOPERATION
ON ENERGY

THE GREEN BALLOT:
RISING IMPACT OF
GREEN POLITICS

In This Issue...

04 COP26, James Bond, Bill Gates and Elon Musk

The long-awaited climate meeting of the world began at Glasgow on Sunday. More than 120 countries are attending to discuss how the world can cooperate on controlling climate change...

07 Keep Calm and Blame Russia

One of the main questions that possess the minds of energy market players and ordinary citizens in Europe during the current period is unprecedentedly high gas prices on the gas hubs...

10 Russia's Return to Africa: Cooperation on Energy

As part of Russian President Vladimir Putin's efforts to introduce Russia as a major global actor, the Russian government is implementing ambitious diplomacy to strengthen its economic and martial existence across the globe...

12 The Green Ballot: Rising Impact of Green Politics

As our world is troubled by climate change and its effects are visible now more than ever, climate politics is the new kingmaker across global politics. This reality is sharper across European and North American politics...

BRENT OIL

84.25 \$/BL

GASOLINE

8.49 ₺/LT

USD/TRY

9.54

DIESEL

8.27 ₺/LT

EUR/TRY

11.05

FUEL OIL

7.40

EDITOR:

GÖKBERK BİLGİN

CONTACT: gokberk.bilgin@bilkent.edu.tr


ABOUT US



Energy
Policy
Research
Center

Synergy is a weekly online newsletter published by volunteers on bilkenteprc.com. It welcomes feedback from readers. Please submit your letters to eeeps@bilkent.edu.tr. The Editorial Board will review the letters and print them as space permits. The contents of this newsletter are the author's sole responsibility. They do not necessarily represent the views of the Bilkent Energy Policy Research Center or any of its Members.

COP26, James Bond, Bill Gates, and Elon Musk

Gökberk Bilgin 

The long-awaited climate meeting of the world began at Glasgow on Sunday. More than 120 countries are attending to discuss how the world can cooperate on controlling climate change. The COP26 stands for the 26th United Nations Climate Change Conference or Conference of the Parties 26, and the meetings have been held since 1995. The growing concerns on climate change and global warming helped meeting to gain popularity worldwide. Many world leaders, business people, international institutions, and climate activists are participating.

Alok Sharma, the president of the COP26 meeting, introduced three goals for the meeting, which are keeping a 1.5°C degree limit on temperature rises in reach, consigning coal power to history, ending deforestation, and providing financial support for green transition to vulnerable nations. In the opening speech, the Prime Minister of Boris Johnson stated that “world leaders are roughly in the same position with James Bond and dealing with a doomsday weapon with a red digital clock tick down remorselessly.” All of the speakers emphasized that this meeting is the last chance to take action to control global warming.

But, why does keeping temperature rise at 1.5°C matter so much? In his recently published book *How to Avoid a Climate Disaster: The Solutions We Have and Breakthroughs We Need*, Bill Gates explains that marginal changes in temperature create a major impact on the planet. Gates claims that we are only 6°C hotter from the ice age and 4°C colder from the environment where crocodiles were in the polar regions. Therefore, each marginal shift in the temperature takes us one step away from the world we know. According to the World Meteorological Organization projections, keeping our lifestyle as it is may cause a 4 to 7°C increase in temperature by 2100. This would mean that some cities near the shores will be flooded by the increasing water levels, changing fertile areas will create massive immigration movements, and we will have to deal with the new diseases that come with the heat. If these are the best-case scenarios, what is keeping us from taking action right away?

Soon, the world population will hit 10 billion. Most of these newcomers will be the citizens of developing countries that lack clean energy technologies. With their economic growth, their consumption and hence carbon emissions will also go



up. The main challenge will be to help these countries to convert to green energies so their development will not cause additional carbon emissions. We have developed two different solutions up to now: to force these countries to give up fossil fuels, and second throw money into the problems.

The first solution does not work for several reasons. First, it is way cheaper to use fossil fuels. We are not only using them for fuel but also in our daily lives. When you look at the things you use, you can tell that more than 90% of them contain oil-based refined products. Secondly, these sources are more reliable on electricity production since they do not rely on weather conditions as much as wind and solar in a world where we do not know how to store our energy sufficiently. Finally, the structure of the oil, gas, or steel industry does not favor rapid and constant transformations due to high sunk costs. Even if you have developed better technology, the cost of implementation becomes too high for these facilities to convert.

Under this framework, what is being asked from the developing nations is to increase the burden on their

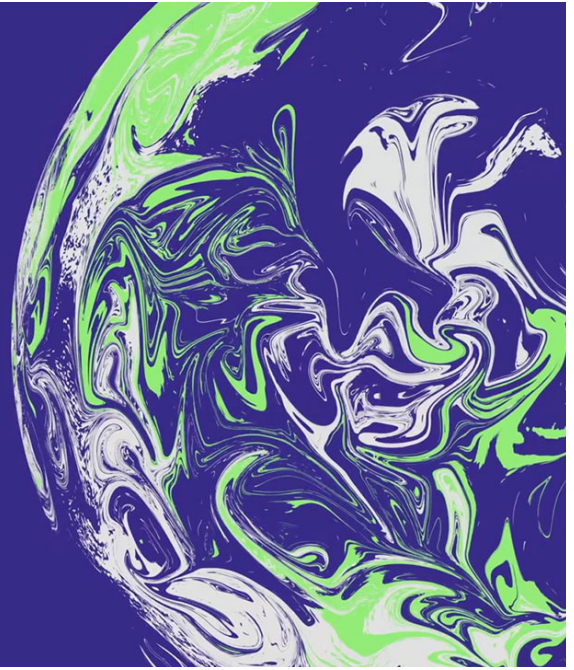
citizens for the green transition, buy green technologies, which will get cheaper every year from today, and reshape the industry as soon as possible. And this seems the correct way to do it for the long term. However, when you ask all these from the politicians who are determined to win the next elections increasing the burdens on citizens, becomes seems like political suicide. Therefore, in these meetings, they set goals that require them to take minimum action. One of the main challenges of the COP meetings is to understand whether all the countries are taking action against climate change or are they pretending.

The opening speech of Boris Johnson can be a good example to see the mentality of the world leaders on the climate issue. Johnson gives the example of James Bond because the way Bond works are perfect for the politicians. In most scenarios, Bond saves the world at the very last second before the bomb explodes by doing only one major operation. It is an approach designed for the long-term with a very short-term mentality which allows politicians to postpone their actions that would create marginal improvements at the expense of their political capital on the situation.

01-12 NOV 2021
GLASGOW

COP26

IN PARTNERSHIP WITH ITALY



The second solution they have offered is to finance developing countries to invest more in the green transition. Almost every day, one developed country announces that they are ready to spend some billion dollars to help global energy transition. Here I see two problems. First, these countries do not trust developing countries to spend it for the energy transition, so many limiting regulations come with it. Second, the governments of the developing countries do not have the incentive and know-how to use that money efficiently.

We see a similar situation in Elon Musk's recent dialogue with World Food Programme (WFP). When WFP asked Elon Musk to donate \$6 billion to save 42 million people from hunger, Musk asked whether they had a proper plan to end world hunger that they could show. As I write this article, I have not seen a proper plan presented to him. Many criticized Musk for his greediness, yet if WFP had done a good job up to now, would they lack the money? I do not think so. The organizations succeeding in what they are claiming they are doing are already receiving enough donations to reach their goals. Other organizations, on the other hand, always ask more even to be able to operate themselves. When Elon Musk first introduced his idea of making an electric car, he did not have many supporters. Yet, the results built confidence in the company, and Tesla eventually became more valuable than all car companies combined. This did not happen with green incentive packages. Think about

nuclear energy. After the Fukushima incident in Japan, most of the governments turned back to nuclear when financing them meant losing political support. However, the idea of building safer and cleaner nuclear power plants developed by the business people and with the investments of Bill Gates, technology on smaller nuclear reactors that have fewer risks and less pollution developed promisingly. The governments and the market could not ignore these developments, and investments in nuclear energy began increasing again; what I see from these examples is that money does not work well with the problems. It works well with the solutions. We are not good at finding solutions to our problems through spending money. However, if our ideas work, they overcome financial constraints themselves.

On the climate issue, what we are having is a lack of technology that is efficient and affordable at the same time. So, the focus should be on improving this area. We cannot change the nature of politics, but we can update our expectations from the politicians. Governments could be responsible for protecting nature from further destruction, providing basic education to create awareness for the next generations, and regularly updating their regulations according to the needs of incoming companies. Solutions will come with the people who are only interested in building better technologies, and humanity will overcome this problem.

Keep Calm and Blame Russia

Gennady Nechaev 

One of the main questions that possess the minds of energy market players and ordinary citizens in Europe during the current period is unprecedently high gas prices on the gas hubs. Some experts claim that the reason for such a situation is a "perfect storm" that is being observed in 2021 on the market.

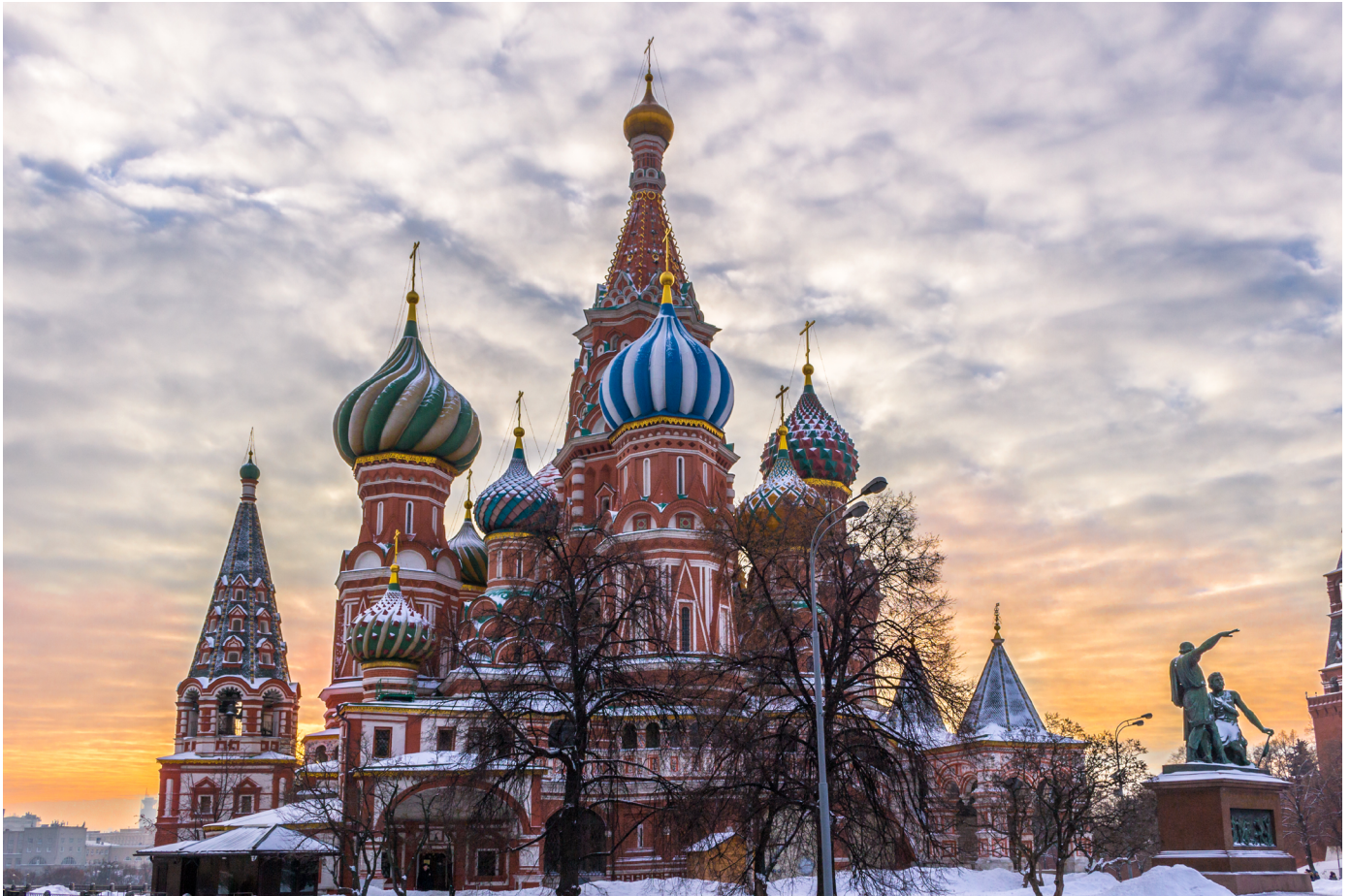
Among the factors there are:

- unusually cold winter that caused the depletion of gas storages throughout Europe;
- a harsh competition for the gas supplies between Europe and Asian countries;
- insufficient investments into upstream gas projects all over the world in the previous period;
- consecutive cuts in production on the Dutch Groningen gas field;
- lowered production on the Norwegian and UK fields due to the maintenance works;
- Russia's limited ability to supply gas to Europe due to the problems in production and new regulations on the domestic gas market according to which Gazprom is from

now on obliged to connect to the gas grid any citizen of Russia who demands it for free, until this moment this procedure was considerably expensive.

From another point of view, every problem of the Western World and Europe particularly is caused by "the Kremlin's hand." Analysts who promote this idea couldn't stay away from the gas price crisis as well. According to their conception, it was the cunning Russians' game that caused the gas cataclysm in Europe. The main accusation of those experts is that Gazprom has been utilizing its "gas weapon" by providing natural gas-only within the limits of the contract quantities and refusing to provide exceeding volumes. This strategy, according to the experts, has a goal of getting more profit from the high prices and applying political pressure on the EU to make it approve the certification of the newly finished Nord Stream 2 gas pipeline project, because of which Russia and Gazprom particularly were hit by sanctions from the US.

First of all, high natural gas prices, be it in Europe or on



any other Gazprom market, are not profitable for Gazprom, which sells its gas mostly by means of long-term contracts, in any way. Extremely high prices harm the gas trade by slowing down the market activities. On the one hand, gas selling companies go bankrupt because of their inability to sell gas for the current prices, and on the other hand, consumers not being able to afford this expensive source of energy tend to switch to different sources such as coal and “green energy” or go bankrupt as well. In order to improve the situation, Gazprom has been applying efforts to provide more gas to the EU. In his last interview on October 28, 2021, the Chairman of the Gazprom board of directors, Viktor Zubkov, revealed that the company had supplied an additional 11 bcm to Europe in 2021.

Second, as it is widely known, Gazprom and its partners (ENGIE, OMV, Royal Dutch Shell, Uniper, and Wintershall) have invested billions of dollars into the Nord Stream 2 project, which did not meet any considerable resistance at the beginning and faced powerful opposition from the US later. At the end of 2019, the US imposed sanctions on

the construction companies participating in the project; in October 2020, the State Department announced new sanctions that affected sub-contractors as well. Keeping in mind all the difficulties and obstacles that were overcome by the project, it is quite normal that Gazprom wishes to finish all the formalities as soon as possible, but it does not mean that Russia has created a critical situation on the gas market to make Europe approve it, thus, as was mentioned above, it would be a shot in its own leg.

An important issue that probably has made the current gas price levels even possible was the exceedingly fast liberalization of the EU gas market by abandoning long-term contracts in favor of focusing on the gas trade on exchanges. It has led to some important consequences. As Russian President Putin commented on October 6, “sharp and thoughtless actions can and already lead to serious disbalances.”

It is quite normal for any commercial enterprise to wish to become a monopoly, and it is as well normal for an authority

of a country to prevent commercial enterprises from becoming a monopoly. In the case of Gazprom, more than enough was done in this regard. The Third Energy Package has restricted Gazprom's ability to influence the gas market even more than the previous regulations.

Coming to the US, while imposing sanctions on the project US Energy Department has promised to flood Europe with its "freedom gas" that will compensate the gas that will not flow through the Nord Stream 2 pipeline. Today we observe the situation when the American gas, containing "the molecules of US freedom," goes to the places where it can be sold for a higher price and not to suffering Europe. As Amos Hochstein, Senior Advisor for Global Energy Security, claimed on October 25, 2021, "the US Government does not direct our companies in who they sell to... I don't think that the US Government has much that it can do more than it has already done." And what it has done was that it applied all possible efforts to eliminate additional sources of gas supplies to Europe and didn't provide any replacement. One may wonder why the day the US is not blamed for the current crisis. Perhaps it is much easier and safer to blame Russia.

There are some other examples of not fulfilling obligations from countries far less powerful than the US. It concerns the natural gas trade between Turkey and Iran. Almost every winter Islamic Republic cuts a major part of its gas supplies to Turkey when there is a lack of gas on the domestic market. Here we do not hear any criticism from the world press, perhaps because, among interested bodies, there are no such countries as Ukraine or Poland.

It is difficult to explain, but some countries actually believe that Russia and Gazprom particularly are obliged to supply its natural gas to any country that needs it regardless of whether the country pays for it or not. It is the case of Moldova that owes Gazprom 700 million USD for the gas that was supplied earlier. Russia here is blamed for not continuing to supply the country despite the debts. One might ask why Gazprom did not claim its debt before at the time when the President of Moldova was Igor Dodon, a pro-Russian politician. The answer is on the surface: a country

obviously should not sponsor a clearly unfriendly state. It is applicable to Ukraine, Poland, and other states like this. This approach is being practiced all over the world.

One more example concerns Ukraine. It is widely believed by biased analysts that Russia utilizes its gas weapon against this country. The problem here is old-fashioned belief coming from the USSR that Russia must feed all the neighboring countries. It is true that Russia was subsidizing Ukraine while there was a friendly government. After the accession of the new pro-American regime, such philanthropy became unnecessary. Still, the gas prices for Ukraine were reasonable until it refused to buy gas from Russia and started buying Russian gas from another source.

Global media has a habit of blaming Russia for using its energy weapons, but also there is a great range of objective experts who are aware that Russia is one of the most reliable suppliers of energy sources in the world. There are strict contracts that are being fulfilled with pedantic accuracy. Owing to international media sources, Gazprom has a controversial reputation in Europe, and the company is doing everything not to give anyone an opportunity to blame it relying on the real facts.

PS Concluding the article, one more interesting question: will Russia be able to get rid of the claims of some countries to provide free or nearly free sources of energy when one day it will become carbon-neutral by means of production of hydrogen or any other green source of energy?

Russia's Return to Africa: Cooperation on Energy

Erkin Sancarbaba 

As part of Russian President Vladimir Putin's efforts to introduce Russia as a major global actor, the Russian government is implementing ambitious diplomacy to strengthen its economic and martial existence across the globe. In the recent period, Russia has been pursuing the strategy of expanding its sphere of influence in the African continent. African countries show a pertinent interest in Russia's surging presence in the region. Ranging from defense to logistics, various African governments are forming cooperation with the Russian companies. Within this scope, one of the most attention-grabbing areas of cooperation is the energy sector.

Russian state-backed oil and gas companies, such as Rosneft, Gazprom, Gazprom Neft, Tatneft, as well as Lukoil, have investments in various locations of the continent. In North Africa, Gazprom holds a stake in Algeria's El-Assel project, and Tatneft holds stakes in Libya's Ghadames and Sirte projects. Besides, Rosneft has acquired the 30% of the Zohr Gas Field in offshore Egypt. In other regions of the continent, Russian companies are also involved in energy operations. The private Russian energy firm Lukoil, which targets the African continent to enlarge its operations, has entered to hydrocarbon production project by acquiring the 25% interest in the Marine 12 license in the Republic of Congo. The company indeed has projects in Cameroon, Nigeria, and Ghana. In 2018, Nigerian oil and gas company Oronto Petroleum and Rosneft have announced that two

companies will cooperate across 17 African countries on developing 21 oil assets. All these large-scale investments show Russian energy companies' appetite for new sources in the continent.

On the other hand, Russia's tendency to Africa's growing LNG sector is seen as remarkable. The new LNG potentials in Mozambique, Egypt, and Tanzania are predicted to go on stream over the next few years. Russian companies are eager to take a share in these projects. In Mozambique and Egypt, Rosneft has non-operating stakes. Today, Russia has a 6% market share in the global LNG market. The aforementioned sources can contribute to the country's target to increase this rate to 15% by 2025.

Furthermore, it can be claimed that Russia's energy diplomacy is not only about oil and gas. The Russian nuclear energy giants are considering Africa as a marketplace, which is new and has eminent potential. In view of the reality that nearly 620 million people in Africa cannot reach electricity, the continent has the possibility to become a pivotal market to the Russian nuclear power industry.

Russian companies such as Rosatom and Rostec are investing in new power plants as part of agreements between regional governments and Russia. Rosatom, the Russian state-backed company, has signed memorandums and agreements on developing and constructing nuclear



power infrastructure with 18 African countries including Angola, Ethiopia, Kenya, Uganda, the Republic of Congo, Nigeria, Rwanda, and Zimbabwe. Alongside that, the Russian company is constructing the country's first nuclear power plant in Egypt, valued at \$60 billion financed by a \$25 billion loan.

Additionally, apart from constructing nuclear power plants, the other interest of Russia in the region is the uranium resources. As the claimer of nearly 7% of the world's uranium reserves, Namibia has agreed with Rosatom for the mining of the uranium in the Eastern part of the country. When Russia's ongoing nuclear power plant constructions across the globe are taken into account, this significant agreement between the two countries provides that Russia has a great opportunity to ensure the continuity of its exportation of know-how and cutting edge technology on the nuclear energy sector.

Having said that, the efforts of the Vladimir Putin administration aim to bring new visions to the Russian Federation, which may be introduced as an image of the

dominant global key player. By following this assertive attitude, all tools of policymaking are mobilized for achieving the determined target. The energy policy gets its share from the Russian administration's new state of mind. Once upon a time, Soviet foreign policy was focused on the African continent for the pursuit of power. Today, Russia sets its sight on Africa once again; however, the main issue on the agenda is unequivocally the energy resources. Russian energy companies have a crucial role in Russia's energy diplomacy. In the areas of oil, gas, and nuclear energy, these companies are enhancing their presence in Africa. Although the trading volume between Russia and Africa is less than expected, the Russian energy sector has a consensus on the continent's energy potential and future. Despite the fact that Russia's share in African commerce is comparably lower than its rivals, the Russian energy sector might be the key player in closing the gap and increasing cooperation. Russia's efforts to enlarge its sphere of influence are tightly coupled with the country's energy policy in Africa.

The Green Ballot:

Rising Impact of Green Politics

Ali Berk Bilir 

As our world is troubled by climate change and its effects are visible now more than ever, climate politics is the new kingmaker across global politics. This reality is sharper across European and North American politics. Joe Biden had a strong climate platform against his battle against then-President Trump. Germany's Greens accomplished historical success in the September 2021 elections and are now looking for top government positions in coalition talks. Greens in European Parliament managed to become the 4th biggest group in 2019 elections and controls 67 seats out of 705, a remarkable increase from 52. A recent survey conducted by a British firm shows that nearly 60% of young people are very troubled by climate change. From where our world stands, Green politics has nowhere to go but up.

Accordingly, progressive politicians have long argued that we need a new deal that addresses climate change and rising economic inequality. In that line, the "new green deal" was introduced, inspired by US President Franklin D. Roosevelt's successful "new deal" that recovered the US economy after the Great Depression of 1929. In October 2008, United Nations Environment Programme adopted Global Green New Deal after the financial crisis of 2008 and had ambitions that both deal with industrial recovery and climate change at the same time. Calls for a green economy have increased since then and become one of the prominent political topics in the developed world. In the 2015 United Nations Climate Change Conference (COP21), countries have agreed to sign an agreement that promised

to reduce their carbon output and put global warming below %2 percent. The agreement is regarded as a cornerstone in the struggle against climate change and within climate politics. Another big step came in December 2019 by the EU Commission. Commission President announced the European Green Deal, hailed the plan as Europe's "man on the moon moment." The plan foresees European Union to become a "climate-neutral bloc" by 2050 and has legs in different sectors such as construction, energy, transport, food, and biodiversity. The plan proposes spending €1 trillion on sustainable investments over the next decade. Also, the EU member states agreed to reduce emissions by at least 55% by 2030. EU members will update their climate action plan to prioritize energy efficiency, secure and affordable energy supply, interconnect energy systems. The plan also aims to achieve inclusive green transition in economies and leave no one behind, including the energy sector and companies that rely on fossil fuels.

As both national governments and EU bodies ramp up their actions to stay in line with the new green deal, most plans are based on sustainability. Therefore, renewable energy plays a significant role in achieving the 2030 and 2050 plans set up by the Commission. The plan is also viewed as a crucial tool for recovery from the coronavirus pandemic. It aims to cut carbon emissions and achieve growth not based on fossil fuels. On 14 July 2021, the Commission adopted new proposals to achieve that goal, in line with European Climate Law. Proposals enable acceleration of greenhouse



gas emission reduction in the next decade. Furthermore, proposals aim to increase the use of renewable energy; have greater energy efficiency and new infrastructures. New taxation policies are also debated within Europe and even a significant campaign topic in Germany's elections.

Debates over climate change and how to deal with it are mainstream as of now. International order institutions constantly warn politicians to take action or speed up existing action plans. Recently, the UN report card shows that Greenhouse gas levels are going in the "wrong direction." The report suggests that according to plans submitted by Paris Agreement signatories, it "would result in a global greenhouse gas emissions of about 16 percent by 2030, compared to 2010 levels." This development is even more important to the European Green Deal and pressures the rest of the world to contribute more to the battle against climate change. However, although the EU's contribution to the struggle is significant, the world needs China and United States to ramp up their climate action plans as these two countries are the biggest emitters.

All in all, green politics are here to stay. So does green economics. The struggle for overcoming climate change

also widens existing ideological and economic views. FDR's new deal in the 1930s successfully recovered the US economy from the Great Depression and capitalism itself as the Soviet model of planned economics was less impacted than capitalist economies. Countries were looking to the Soviet model, such as Turkey's five-year development plans. It may be overarching to say in our world system where capitalism, more dominant compared to the 1930s. Still, rising inequality, increasing inflation, high real estate prices, and increasing living costs even in the developed world are also challenging the system itself. Therefore, what European Union is doing is significant for our world system for both climate change and economy can boost willing countries' desire to speed up their transition to green economies, and may pressure other less-than-willing countries to consider.



Energy
Policy
Research
Center

bilkenteprc.com