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# SYNERGY

BİLKENT ENERGY POLICY RESEARCH CENTER NEWSLETTER

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CONFUSING YEAR  
FOR ENERGY

STRENGTHENING THE  
INVESTMENT CLIMATE:  
A LEGAL APPROACH

SOCIAL MEDIA  
AND  
SUSTAINABILITY



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BRENT OIL

87.52 \$/BL

GASOLINE

14.12 ₺/LT

USD/TRY

13.40

DIESEL

14.37 ₺/LT

EUR/TRY

15.18

FUEL OIL

10.72

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# 2022 Will Be A Confusing Year for Energy

Bariş Sanlı 

Even birds need to land somewhere, sometimes. Therefore we can not expect energy prices to go forever higher. But which energy prices and when? These are the fundamental questions we have no idea about. But Eurasian geopolitical risks are higher, and Covid is getting normalized. That is to say, no end to the pandemic is in sight, but it may normalize like flu.

Starting from geopolitical risks, the reserves of the Russian Central Bank are at their highest level. If history is a testament, Russian geopolitical moves coincide with Central Bank reserves peaking. The European gas flows are close to the lowest and the European stock levels. The numbers show preparation for a prolonged geopolitical turmoil.

Will covid be a new kind of flu? This is the question we will find some answers to this year. Interestingly, from zero-covid policies to lockdowns, after trying all the strict measures, we end up this way. Pfizer claims that this will be like flu recurring every year (some claims every six months). If, for example, it peaks every six months, the jet fuel demand may struggle.

But we have to understand that we are in a transition period for new stability if it exists. In the post-covid world, stability has not formed yet. Therefore both economy and energy have diverse speeds for different times and geographies. For example, in China, New Year is on the 1st of February, then there will be Beijing Olympics. Coal-burning will be most likely restricted for that period, and gas demand may climb. Before the new year, the oil will increase, and during the new year, it will be mulled. After the winter Olympics, expect China to increase fossil fuel consumption.

COP27 will be in Egypt. And there is a COP calendar. From June to November, the world will see increasing amounts of Africa and global warming news. This year more emphasis will be on Africa. But if Africa is strained with high energy prices, the priorities may get warped.

Most of the countries are trying to subsidize energy prices. However, the bigger danger lies with the fertilizer and food prices. Food prices are key to stability, and energy prices are another factor. If the high prices continue, their trend low-income countries may have struggled to subsidize both food and energy prices. This will create major risks for mid to





low-level oil, gas, minerals (like copper) producer countries.

The biggest problem was the instability created by the covid shock. The prices dropped to unprecedented levels. Remember negative oil prices. Consumer enjoyed it, but nearly in a year, we are from one end of the price spectrum to the other. These are really confusing times. Consumer strongly reflects endowment effect. That is to say, discounts have nearly zero effect on morale, but price hikes are extremely painful. Now think about sub 5000\$ per capita per country citizens.

New reform packages not addressing the energy crisis will create tensions for sure on the EU level. When the prices are sky-high, everyone gets criticized. The blame game always ends at the top. This creates new divisions and urges to react. We should remember how and why the Energy Union idea has been first published in an FT article.

In temporal analysis, there is a standard trend of oil prices as well as gas prices. Oil prices start increasing after Christmas and increase slowly until May. Then starts the

July-October period, where oil prices are more positive than negative. November, December is most likely months for oil price declines due to naturally lowering oil demand.

In the gas case, it is winter and summer. Depending on cold or hot weather shifting, the prices can make surprises in October or April. But the term structure is quite known. However, if Europe starts the spring with very low stock levels, this term structure will be distorted. Adding to all this, the Tonga volcano eruption may drop the global temperatures in the coming two months. This will be another effect on the short-term demand and prices.

But let me come to the opening sentence of this article. Even the birds need to land; therefore, energy prices can not go higher forever. The consumer is feeling the pinch. Industrial productions are slowing down. Therefore we may call 2022 an indecisive year with extreme events. The prices will not find stability anytime soon. But fossil fuel investments are earning such profits that the world may be siphoned into another fossil era with lots of solar investments. 2022 will be confusing.

# Strengthening the Investment Climate: A Legal Approach

Erkin Sancarbaba



In a general perspective, energy investments inherently require huge resource allocations and envisage long-term targets. It is undeniable that the energy sector has a strategic role in countries' medium and long-term goals. In other words, progression and stability on energy investments are directly associated with countries' national interests. The Turkish Government also understood the importance of the energy sector in time and mobilized all its possibilities for the development of the sector. On the other hand, as a matter of fact, some issues that carry the risk of disrupting Turkey's energy investments still exist. Accordingly, the necessity of eliminating the threats which have the potential to interrupt ongoing projects and planned investments emerges. In order to maintain stability in energy investments, which are allocated resources on a national basis and have strategic importance, the issue needs to be addressed in detail. The existing state and the solution proposals will be discussed from a legal perspective thereafter.

After the decisions made by the Turkish Government to liberalize and privatize the Turkish energy market, the sector enter into the process of development and expansion. However, with this process, the revision of the legal structure became inevitable. The dispersed and discordant legislative amendments leave market actors in a tight spot in some cases. The unscheduled and impetuous amendments have the potential to trigger distrust and instability in the energy sector. In order to clarify the

aforementioned situation, underlining the total number of revisions in the four main statutes that generally regulate the energy markets in Turkey.

- Since 2003, the Natural Gas Market Law (No. 4646) has been revised sixteen times.
- Since 2004, the Petroleum Market Law (No. 5015) has been revised thirty-three times.
- Since 2013, the Electricity Market Law (No. 6446) has been revised twenty-seven times.
- Since 2007, the Law on Utilization of Renewable Energy Sources (No. 5346) has been revised fifteen times.

In line with these data, due to the lack of legal predictability, it seems difficult to promote medium and long-term investments. The existence of the ongoing investments which are affected adversely by the instantaneous revisions is a sort of appetite-suppressant for the investment climate. Consequently, the establishment of legal predictability and certainty shall be an accelerator of the pacesetter energy investments.

Elaboration of the legal structure which aims at instituting legal predictability and legal certainty becomes more of an issue as time progresses. These two terms are directly related to legal security. As it is known, it is not possible to actualize successful investments in countries that don't have a legal security mechanism. For Turkey, maintaining





legal security is an issue that concerns the future of the country and its investment environment. In the initial stage, it is crucial to mention that the main point criticized in this article is the untidiness regulation changes that pose a threat to legal security. The aforementioned revisions have an impact on continuing investment operations. Otherwise, prudential, constructive, and investor-friendly updates on regulations should be supported by all parties. In order to regulate the markets with investment-friendly revisions, it should be ensured that adverse rule changes that will occur after the investment has started will not affect the investment. In addition, sufficient time should be allocated to investors to allow the development of technical infrastructure or competence to adapt to these changes. In this way, additional costs and unforeseen risks for the sector can be eliminated.

Since it is a developing country, it is very important for the Turkish government to intensify the law-making process and to speed up the regulations in areas that are pivotal for the country such as energy. The multi-faceted law-making efforts in these areas clearly demonstrate the adequacy of the Turkish bureaucracy and the will of the Turkish legislature. However, it is necessary to make self-criticism in terms of establishing predictability in the energy market. Future laws, regulations, and secondary legislation should be formed in a complementary manner. Furthermore, the correct analysis of the effects of the changes made at each

stage is extremely significant in regards to contributing to predictability.

In the next stage, it will be beneficial to establish a new independent authority to take a stable path in all strategic investment areas, including the energy sector, and to secure the interests of investors. This independent authority should have the characteristics of a supervisory and regulatory agency. The aforementioned authority should comprehensively include both public and private sector representatives. Thus, the rights of the public will be protected and sector representatives will be able to express their opinions with confidence. As a final detail, this authority must be established by a law that will be enacted by the parliament.

As a result, the stable continuation of energy investments is an important step for Turkey to reach its development goals. At this point, it is very important for policymakers to maintain their determined stance. On the other hand, regulations that are made without complying with the principles of legal predictability and legal certainty deflect Turkey from the target. From this point of view, the implementation of the reforms mentioned in this article has vital importance for the continuity of energy investments and the future of the sector.

# Thinking Innovation on Energy Policies

Gökberk Bilgin 

Due to climate change and to decrease its reliance on fossil fuels, the European countries invested heavily in renewable energy in recent years. However, when the reality had a different setting than what was planned, the situation quickly turned into a major energy crisis. It showed that the way of handling the climate crisis is still premature, and decision-makers need to have a different way of thinking to overcome the challenges.

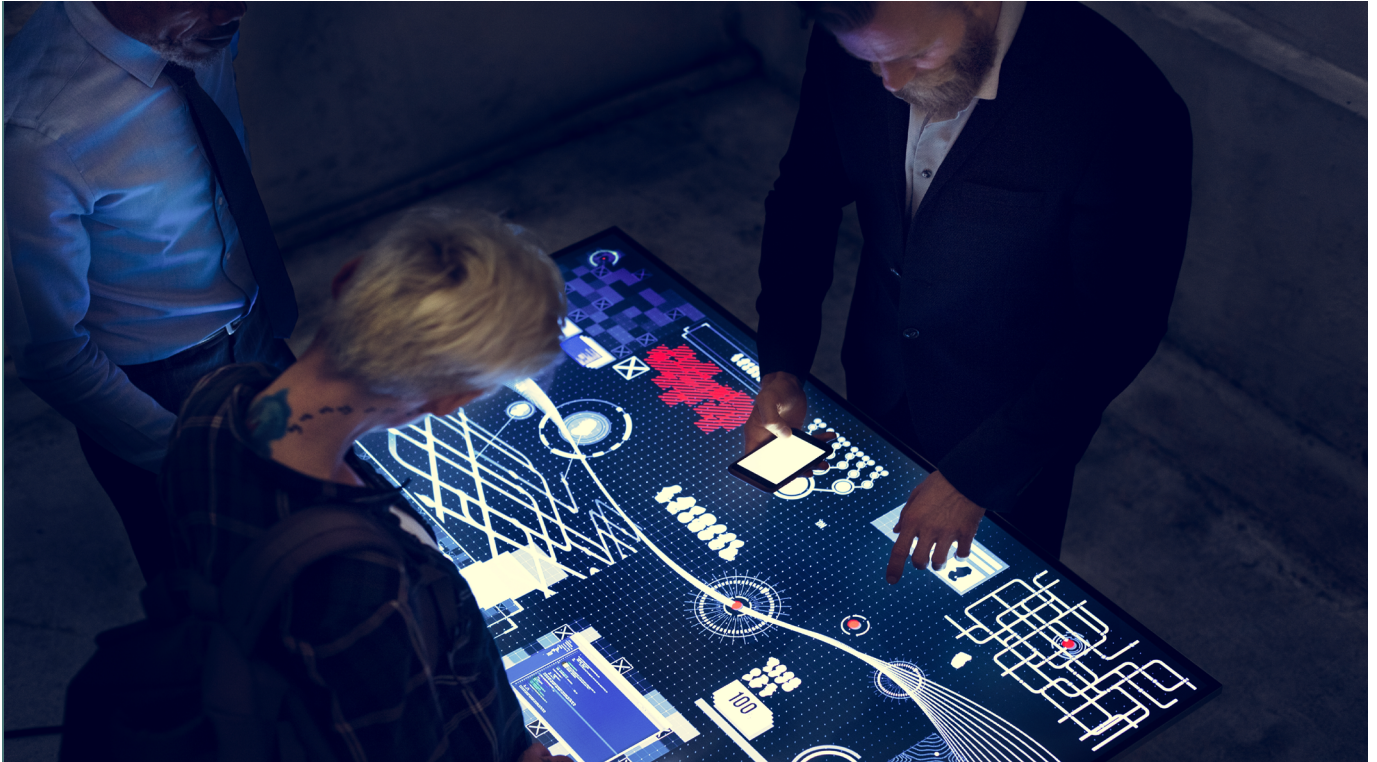
In modern economies, innovation has become one of the most important factors of growth and development. However, innovation is not done in one way. There are also several ways to do innovation itself, and each of those ways provides a different result. In some cases, the way of handling the innovation itself can prevent the desired impact from being realized.

In “The Sustainable Development Goals in Higher Education: A Transformative Agenda,” there was a nice discussion about how we should focus on innovation. On discussing sustainable development or tackling climate change, if you are looking to find the solutions within the same framework that created the problem itself in the first place, then the

designed solution cannot be transformational. Donald Schön explains this situation as the ‘first loop learning,’ which aims to ‘learn how to do what we already do better’. This type of learning focuses on innovating the technology within the existing norms and practices. For example, in the energy sector, we know that fossil fuels are responsible for most carbon emissions and nuclear energy plants are too risky investments because if an accident occurs, it can create a major impact on the environment that will last for decades. Therefore, focusing on renewable energy sources and shifting away from carbon fuels can seem the best option despite their disadvantages. Designing the policy within this framework can lead to success, but it also means discarding many sources that can play a part in the solution. This may not be the most rational choice in a time of urgency and crisis.

The double-loop learning type of innovation, on the other hand, challenges the available information and search for new ways to eliminate the setbacks of the current system. They ask alternative questions such as if the nuclear energy plants are risky, then how can we make them safer, or is there any other way to reduce our carbon emissions caused





by fossil fuel, etc. Hence, by thinking out of the box, double-loop learning enables us to develop alternative solutions and reduce our reliance on existing technologies.

From this perspective, the EU's draft plan on labeling nuclear power plants as a sustainable energy source is an accurate attempt to deal with climate change. Recent developments in nuclear energy are highly promising, and safety issues are being solved by finding better ways to control the reactors. Furthermore, investments in reusing nuclear energy wastes are also rapidly developing. Thus, we have a promising technology that we cannot easily ignore.

It is perfectly reasonable to close the nuclear power plants that have completed their lifecycle, which is an ongoing process for Germany. However, this should not stop countries from building nuclear power plants with better technologies that have solutions to safety and disposal concerns. The focus should be on getting rid of older nuclear energy plants, not the nuclear energy itself. There is still a vast amount of improvement in the area, which also could provoke other sectors to speed up their technological improvements. Due to the nature of competition, solar

and wind energy companies develop their technologies faster when there is a strong competitor that can take their market share. With this competition, we can develop new products and other alternative energy facilities that are friendly to the ecosystem and reduce our negative impact on our planet. What is keeping us from acting now about climate change is the financial burdens we fear to face. However, if we can turn this situation into an investment opportunity, more people will be happy to take part in it. Tesla showed how the norms of the automotive industry could be changed in a matter of years, and we can expect a similar result from the energy sector.

Overall, if we are serious about the risks of climate change and the urgency to act against it, in that case, we do not have the luxury to choose renewable energy sources over other options and discard any source entirely. The pace of the energy transition from coal to oil took decades, but with the current speed of our technology, we must prepare ourselves to embrace the constant changes with our energy sector and adapt ourselves to new energy sources.

# Social Media and Sustainability

Başak Bozoğlu 

Social media is one of the most effective communication tools today. It has a different position from traditional media tools (such as newspapers magazines) in terms of the frequency and ease of use of people and the speed of dissemination of information. The ups and downs of social media are constantly being discussed, and the speed of making any topic popular around the world is very high. The power of social media is undeniable in reaching people on critical issues for our world, such as the environment, climate crisis, energy policies, ecosystem order, and the decline of animal species. Hence, sustainability projects also need the power and influence of social media.

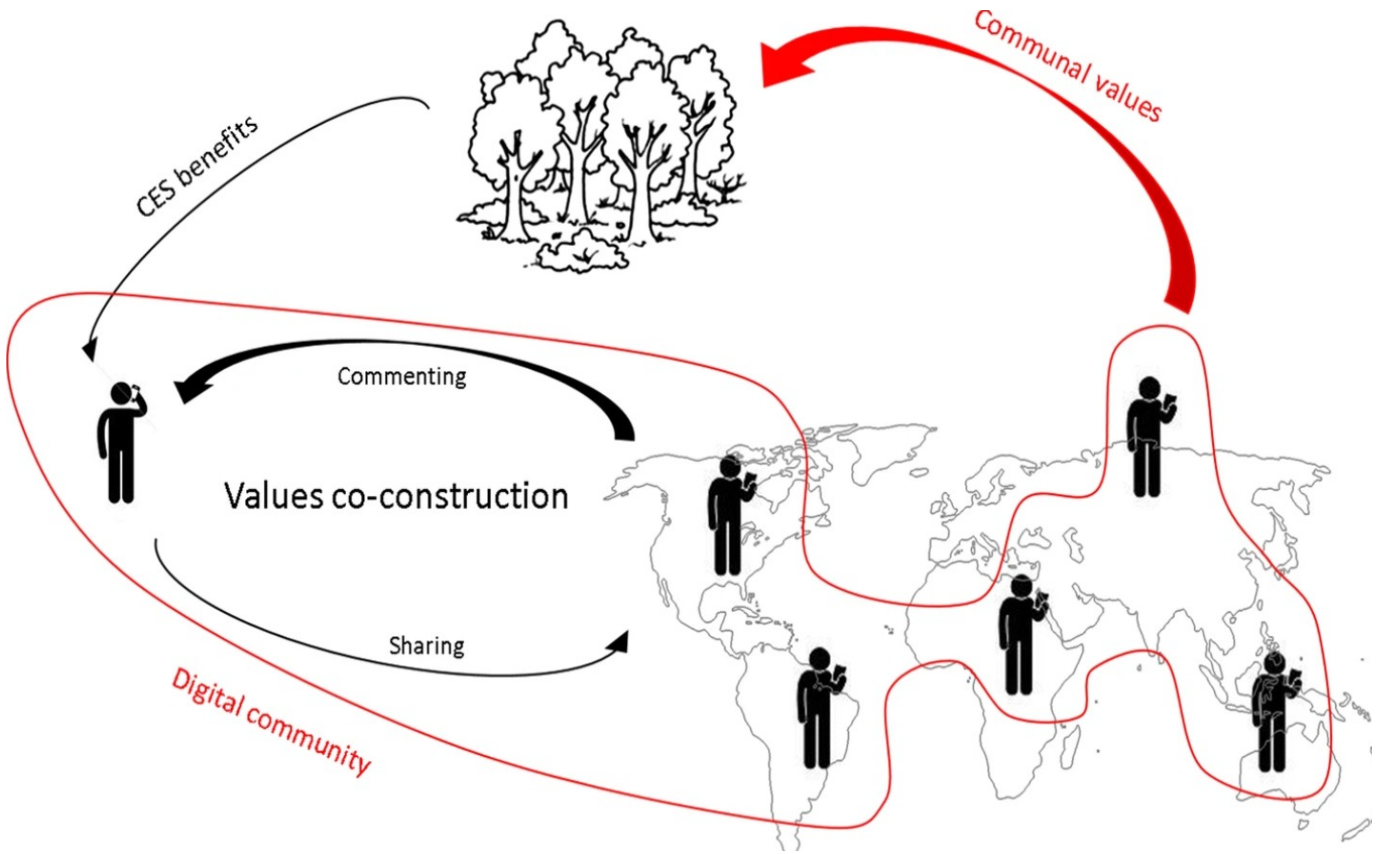
So why do we need social media influence for sustainability? First of all, social media has an important role in raising awareness by disseminating information about political, economic, and social events. It is always easier to disseminate articles, research, visual, written, or audio content to large audiences that people do not want to read. These days people's reading and research habits are lost, but their smartphone addiction is increasing. Thus, one

of the ways to attract the attention of the majority of the public is to produce content for social media. Almost every institution and individual, from brands to big companies, from political parties to charities, is trying to make their voices heard through social media and increase their number of followers. What exists when raising awareness is that it is effective in changing the habits of individuals to work.

## Consumer Habits

Recently, advertisements have completely changed the online shopping behavior of people through influencers. This situation can be applied for sustainability in the same way, and individual sustainability can be increased with content, videos, interviews that will increase awareness. From the products you buy to the car you drive; It is possible to make almost everything in people's lives sustainable, from your grocery shopping to the bag you use. As long as it is shown with suggestions on how to do this, sustainability is made into fashion. According to a study, consumers' purchase intentions are mostly based on the





Source: Saeed, M.A., Farooq, A., Kersten, W. et al. (2019)

topics they see on social media. This situation is related to people's willingness to spend on sustainable products has the information they get from social media. Research shows that consumers addicted to social media are more likely to buy sustainable products, work for a sustainable world, and produce projects for this purpose. According to a study by Forbes, more consumers are motivated to take action on environmental sustainability in 2020, and 68 percent of consumers are pushing brands and organizations to reduce their environmental impact.

The image shows how consumers create relational value for sustainability through social media. Users create multimedia content via a social media platform. These contents create a material, symbolic, social value, creating cultural ecosystem services (CES benefits), which initiates a digital collective evaluation process. From the data of individual-based social media platforms, the social values (communal values) in transformation into an environmental change begin mutually for sustainability. Thus, sustainability provides individual social media communication and social benefit.

### Corporate Transformation

Social media makes consumers and institutions responsible for sustainability at the same time, and this is called corporate sustainability. Corporate sustainability refers to any company's attempts to evaluate and take responsibility for its impact on environmental and social well-being. It publishes the sustainability actions and projects of institutions as research reports strengthen their corporate identity and increase their recognition by promoting them on social media. On the other hand, institutions and brands need to change their policies and respect the environment and nature because even if the consumption habits of individuals change, the quality and number of sustainable institutions need to increase to be able to influence societies and reach large-scale audiences. The way to reduce the impact of the climate crisis and prevent existing waste problems is to achieve environmental sustainability by changing large-scale institutional policies. The more institutions, brands, and factories become a part of this transformation, the more their customer portfolio will be affected by this change, and the less their negative



environmental impact will be.

### **Involving People**

The biggest difference between social media from traditional media types (newspapers, magazines, radio, etc.) is that people can be directly involved in events and situations. It is much easier and faster to comment, share information, and be known with smart devices. People can share their thoughts and interact with other people whenever and however they want. There are many positive aspects to this situation and its negative aspects. The first is that environmental activists are more in control, the speed of actions, signature campaigns, and online donations increase. Independent activists, environmental organizations, and people who make sustainable production can quickly expand their sphere of influence. Greta Thunberg, who was chosen as the person of the year in Time magazine, Vanessa Nakate, the founder of the Ugandan 'Rise Up Climate Movement' movement, Isaias Hernandez, who gives the secrets of zero waste and sustainable living, are just a few of the well-known activists who made a sound for a sustainable world. While waiting for the policy changes of the governments, it is much more practical to draw attention on an individual basis with social media. Young activists are much more successful than most politicians in reducing the consumption rate of

many, especially the younger generation, increasing their awareness, and drawing their attention to environmental issues and sustainability. The main reason for this is that they can directly connect with people. An activist with millions of followers can interact directly with features such as live broadcast chats, messaging, commenting, which effectively increases people's awareness and behavioral changes.

Social media seems to be a tool that allows us to have more trouble while keeping us away from the real world and the troubles that often enter our lives. Maybe this is the case most of the time, but there is the fact that social media is the fastest means of making a documentary, person, subject popular and attracting my attention. For sustainability to be a part of our lives, we must continue to use this communication power for more beneficial purposes.





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