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A Snapshot of Global Energy Game

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Introduction

There are fundamental changes going on in the energy landscape, driven by low energy prices, disruptive technologies, geopolitical risks and regulatory restrictions. While governments and corporations are trying to adjust to the new rules of the game, they also seek to obtain reliable information to make accurate predictions and insightful decisions.

In this article, StratejiCo. shares key highlights of a prominent energy gathering that brought together decision-makers of energy. The Bosphorus Energy Club is an exclusive membership-only gathering of senior leaders and executives in energy, investment and geopolitics. It serves as a Track-II energy diplomacy channel as well as a discreet but powerful summit of the top decision-makers for regional issues and projects in Eurasia, the MENA, the Gulf, and Southeast Europe.

The Bosphorus Energy Club was held in Lütfi K■rdar Congress Center, on October 11th 2016 in partnership with 23rd World Energy Congress. In roundtable discussions moderated by the Club's executive chair Mehmet Ogutcu, key players and leaders of energy world evaluated the global energy agenda, with a particular focus on Turkey and its region.

Below is an excerpt of the report "Navigating through new transformation and turmoil in energy, investment and geopolitics". To read the full report, please click here. To visit the website of Bosphorus Energy Club, please click here.



Summary

- The era of hydrocarbons is not over. We like it or nor; they will still account for 70 percent of our energy mix by 2050, despite significant breakthroughs in renewables and efficiency. Many new players come in the energy market promising additional and cheaper resources, and changing the rules of the conventional game.
- There is a growing tension between public policy and private money. The under-investment that we observe now due to lower prices and risks will become chronic and the global output of energy resources will inevitably lead to supply deficit and new unpredictable price spikes, eventually hitting both producers and consumers.
- Oil companies face a challenge: if they truly believe that a shortage is coming they need to continue investing **(IEA says investment fell 24% in 2015 and 25% in 2016)** or at the very least, protect core investing functions for the future, including exploration spending.



- Gas is believed to gradually replace coal, which is a source of distress for some producers. The world is facing a proliferation of LNG supplies that are already impacting on gas markets and competing with pipeline gas. Some of the largest and most significant consuming nations are contemplating reform or unbundling, which could mean some take or pay contracts become stranded and an increasing oil price is likely to reinforce the price arbitrage between long-term and spot pricing.
- Further investments should be made in renewables, but lower oil, gas and coal prices and increased efficiency might slow this down. It is still easy to shift back to old mentalities, yet whomever adapts to the new needs of the energy economy will remain competitive in the market.



- Renewable power is replacing or has the potential to replace fossil fuel generation in some countries. Smart grids are delivering the potential for greater interactivity with customers. And the scope for even more transformative technological breakthroughs is being taken more and more seriously all the time.
- A world without nuclear energy is considered to be a tough one because without nuclear energy we would have burned millions more tons of coal and billions more barrels of oil. This would have brought about climate change of such proportions that what we have today would have seemed negligible.
- In emerging economies like Turkey where energy demand growth is strong, nuclear energy will continue to be popular with governments. Yet, there is need for a strong, independent regulatory body to assure the public and secure nuclear energy development.

- The European Union is in full swing to complete all legislative acts before the end of 2016. A single European energy market will allow Europe to increase its security of supply by allowing energy to flow freely across borders, therefore offsetting any oversupply on one side of a border with any supply deficit on the other.
- Russian perceptions of energy security are different than those of the EU and primarily about predictability and stability of energy prices because they heavily rely on hydrocarbon revenues. Wielding great power influence particularly in its own spheres of influence is another objective. Russia does not want to be vulnerable to Ukraine transit problems, so will accelerate development of alternative routes including Nordstream-2 and Turkish Stream.
- Turkey needs to clarify whether its long-term ambition is, as often stated, to become a regional gas hub or a simple transit country. A hub is a competitive market place where gas from multiple sources is stored and traded at spot prices. Any version of Turkish Stream larger than one string would likely put such an ambition in danger by dis-incentivising investments in Turkish storage, LNG, alternative pipelines and demand reduction.
- Iran's strong re-entry into the world energy markets may not be as fast as we have been led to believe. Political risks, uncertainties and some sanctions are still in place, but the country offers immense potential for energy investment if financiers can possibly be persuaded. Iran and Turkey are bound to work together in this geography either more collaboration or more competition with each other.

  None of us have reached where we are today merely through our own personal endeavours. This way or another we have benefitted from our seniors, sometimes through a couple of wise words, sometimes by way of introduction to potential employer, patient coaching, and mentoring. As we enter a new critical era of game-changing developments in world energy millennial young people have to be given the opportunity to progressively grow, mature, build their leadership capacities, develop right attitudes to people and job, and reinforce emotional intelligence. The Club members will support YLE initiative to continue.

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