



Implication of Global Energy Policies on Energy Demand and Supply

Insights from an Energy Policy Analyst

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**ISSUES IN
GLOBAL
ENERGY
POLICIES IN
RELATION
TO OPEC**

“In looking at the major events of the past six years, perhaps what they all have in common are two things: ‘**globalization**’ and ‘**multilateralism**’.”

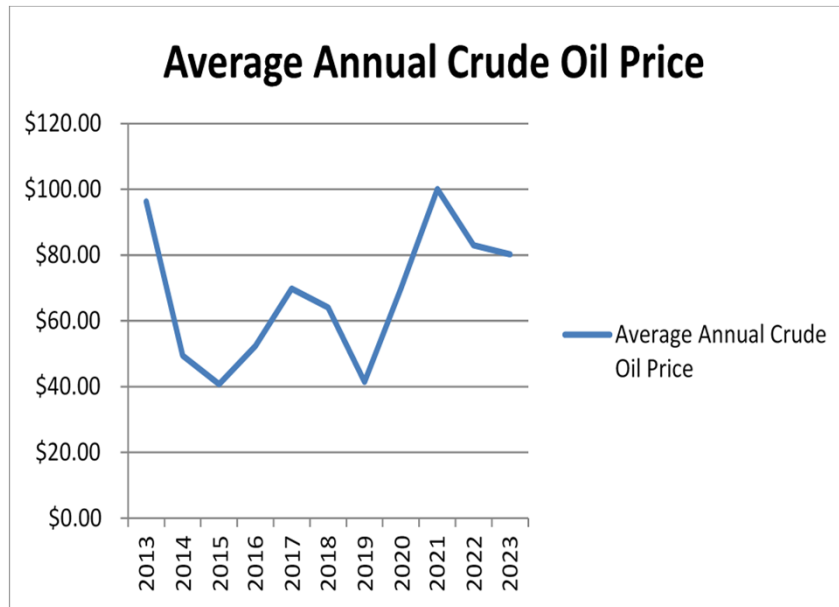
HE Mohammad Sanusi Barkindo, Fmr OPEC Secretary General, 8th June, 2022

- **Market Stability**
- **Competition**
- **Regulatory Environment**
- **Diversification**
- **Geopolitical Relations**
- **Technology Development**
- **Investment Climate**
- **Climate Change Mitigation**
- **Energy Security**

ISSUES IN GLOBAL ENERGY POLICIES IN RELATION TO OPEC

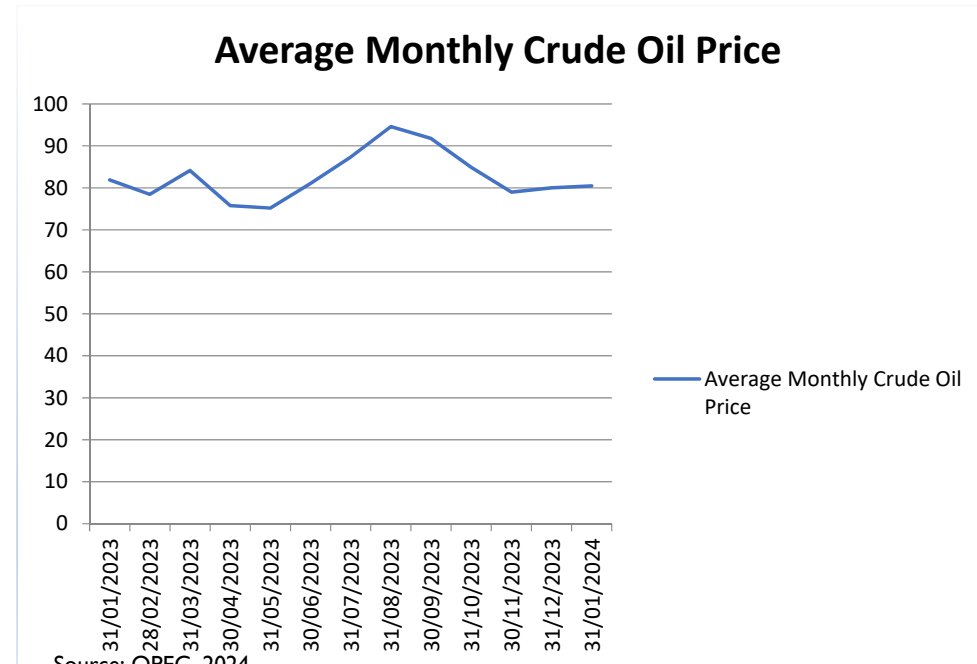
Market Stability

Global energy policies can affect oil prices and market stability, which are crucial for OPEC member countries heavily reliant on oil revenues. Policies that promote energy efficiency, renewable energy, or alternative fuels can reduce demand for oil, affecting OPEC's market share and revenue



Source: OPEC, 2024

Annual data from 2013 to 2023 indicates that there is high level of price variation which may be due to many significant events that takes place within that time period



Source: OPEC, 2024

The good news is that, recent monthly data Jan. 2023 to Jan. 2024 shows a slight price stability in the oil market

ISSUES IN GLOBAL ENERGY POLICIES IN RELATION TO OPEC Cont.'

Competition

Global energy policies can influence the competitive landscape for OPEC by promoting the development of alternative energy sources. Policies supporting electric vehicles (EVs), for example, can reduce demand for oil in the transportation sector, challenging OPEC's dominance in this market

Regulatory Environment

Global energy policies, such as emissions regulations or carbon pricing, can impact the cost of producing and consuming oil. This can affect OPEC members differently, depending on their production costs and the quality of their oil reserves

Diversification

Global energy policies can encourage OPEC member countries to diversify their economies away from oil dependency. Policies that support economic diversification and the development of other industries can reduce the vulnerability of OPEC countries to fluctuations in oil prices

Geopolitical Relations

Global energy policies can influence geopolitical relations involving OPEC member countries. Policies that aim to reduce dependence on oil from certain regions, for example, can affect OPEC's influence and geopolitical standing.

ISSUES IN GLOBAL ENERGY POLICIES IN RELATION TO OPEC Cont.'

Technology Development

Global energy policies can drive the development and adoption of new technologies that impact OPEC's operations. For instance, policies promoting the use of carbon capture and storage (CCS) can affect the viability of OPEC's oil reserves by influencing the demand for low-carbon fuels.

Investment Climate

Global energy policies can impact the investment climate for OPEC member countries. Policies that promote renewable energy or energy efficiency can attract investment away from oil-dependent economies, affecting their long-term economic prospects

Climate Change Mitigation

Energy policies are essential for addressing climate change by promoting the use of renewable energy sources and encouraging energy efficiency. Policies such as carbon pricing and emissions trading can help reduce greenhouse gas emissions and limit global warming

Energy Security

Global energy policies aim to ensure a stable and reliable supply of energy. Diversifying energy sources and promoting domestic energy production can reduce dependence on imported energy and enhance energy security



**Global Energy
Policy Landscape
in Relation to
Crude Oil
Demand and
Supply**

**United Nations Framework Convention on Climate
Change (UNFCCC)**

Kyoto Protocol

The 2000s (Pre-Paris Agreement)

Paris Agreement

COP 22-28

Global Energy Policy Landscape in Relation to Crude Oil Demand and Supply

United Nations Framework Convention on Climate Change (UNFCCC)



The UNFCCC was signed in 1992. It currently has near-universal membership globally with 197 Parties. It codifies five distinct principles:

- The Parties should protect the climate system for the benefit of present and future generations of humankind
- Parties, especially developing country Parties, that would have to bear a disproportionate or abnormal burden under the Convention, should be given full consideration.
- The Parties should take precautionary measures to anticipate, prevent or minimize the causes of climate change and mitigate its adverse effects.
- The Parties have a right to, and should, promote sustainable development
- The Parties should cooperate to promote a supportive and open international economic system that would lead to sustainable economic growth and development in all Parties, particularly developing country Parties

Global Energy Policy Landscape in Relation to Crude Oil Demand and Supply Cont.'



Kyoto Protocol

Was adopted in 1997 to introduce more robust legally binding GHG emission reduction targets and timelines, which were absent from the UNFCCC. The Kyoto Protocol entered into force in 2005 and currently has 192 Parties



The 2000s (Pre-Paris Agreement)

- ❑ The Cancun Agreements was introduced in 2010, one of which directly impacted the Kyoto Protocol by clarifying and confirming targets and mechanisms in the protocol, and raising standards for industrialized countries' targets
- ❑ In 2012, the Doha Amendment to the Kyoto Protocol introduced new GHG emission reduction targets for a particular Party category to 18%. With these amendments, developing country Parties still do not have binding reduction targets

Global Energy Policy Landscape in Relation to Crude Oil Demand and Supply Cont.'



Paris Agreement

The 2015 Paris Agreement is a legally binding international treaty on climate change and came into force in 2016. Paris Agreement key points:

- Limit temperature rise 'well below' 2 C
- Helping poorer nations
- Publishing greenhouse gas reduction targets
- First universal climate agreement
- Carbon neutral by 2050

Global Energy Policy Landscape in Relation to Crude Oil Demand and Supply Cont.'



- Although not legally binding, it is the first time in almost 30 years of UN climate summits that countries have agreed to move away from fossil fuels.

ENERGY POLICY OF
SOME SELECTED
COUNTRIES,
REGION AND OPEC

The United States (US) Energy Policy



The US energy policy centered on energy production through various sources which include; renewable energy; oil and gas; coal; nuclear matters and security; hydrogen; electricity; energy tax incentives; climate change technology and energy efficiency; etc.

The EU Energy Policy

EU energy policy centers on diversifying Europe's sources of energy, functioning of a fully integrated internal energy market, enabling the free flow of energy through the EU through adequate infrastructure and without technical or regulatory barriers; Improve energy efficiency and reduce dependence on energy imports, cut emissions, and drive jobs and growth; decarbonize the economy and move towards a low-carbon economy in line with the Paris Agreement; and promote research in low-carbon and clean energy technologies.

China Energy Policy

- The energy policy of China is connected to its industrial policy, where the goals of China's industrial production dictate its energy demand managements.
- China's energy consumption up to 2019 alone relies for the most part on coal, which represented 57.6% of its energy mix. In 2020, the country emitted nearly 9.9 billion tons of CO₂ – 30.7% of global emissions. Energy Security also became a major objective. China's Energy Policy has also aimed to ward off climate change.
- Chinese economy has initiated a low-carbon energy transition since 2011 but it is not sustainable due to economic consideration.





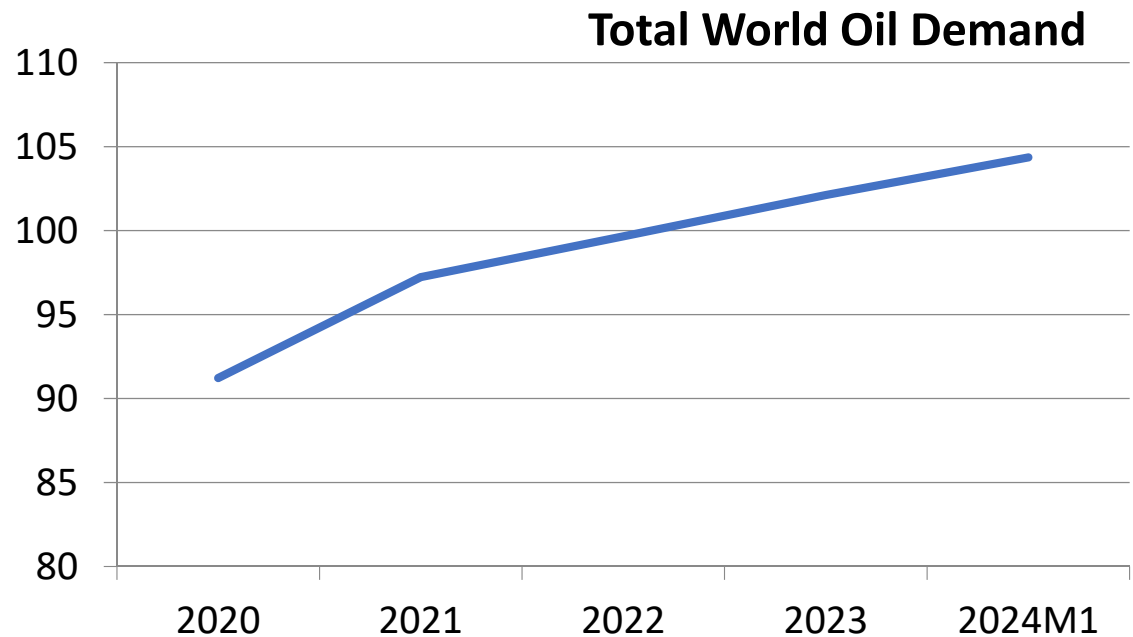
OPEC Energy Policy

OPEC takes cognizance of the estimated increase in the world population (expected to grow by around 1.5 billion people, reaching 9.5 billion by 2045) and the need for a reliable and affordable energy access alongside reductions in emissions.

Recent data from OPEC (2020-2024) has shown that despite all the afore mentioned global and multilateral policies world oil demand is still on the increase

Year	Total World Oil Demand (mb/d)
2020	91.22025
2021	97.22965
2022	99.6567
2023	102.1138
2024M1	104.3595

Source: OPEC, 2024



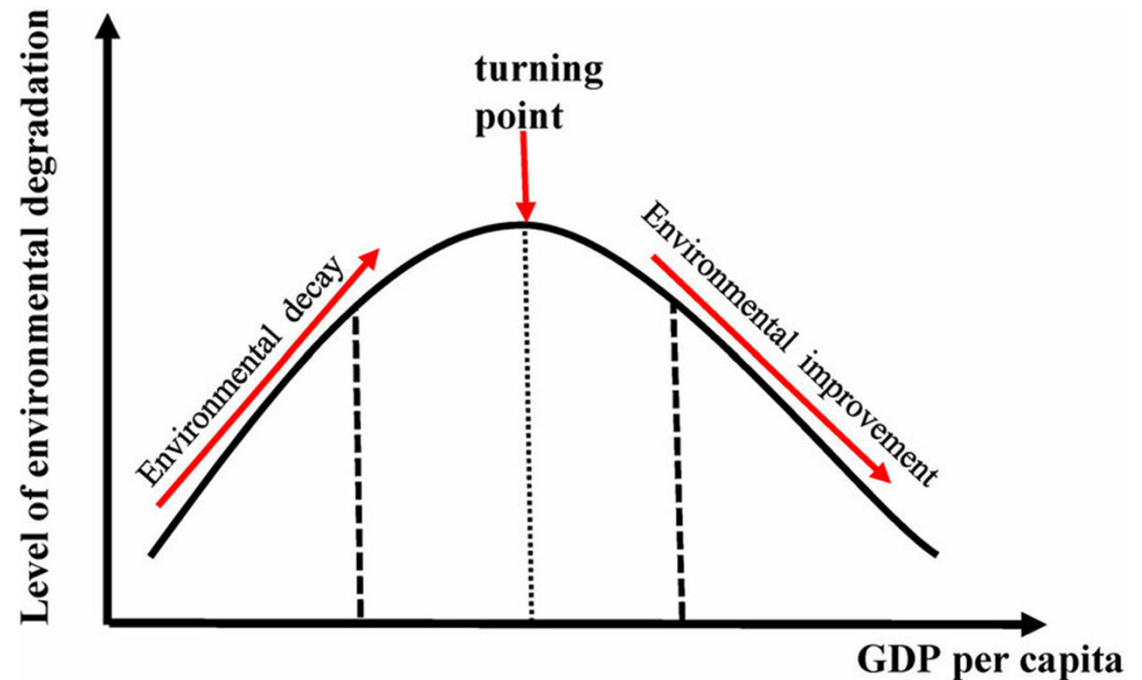


CONCLUSION

- ❑ All the above-mentioned agreements and protocols from UNFCCC IN 1992 to the Paris agreement in 2015 down to COP 28 in Dubai are geared towards renewable energy and its development. Which shows that the world is trying to move away from fossil fuel consumption as much as possible in the long run.
- ❑ That notwithstanding however the percentage of oil in the world energy mix still remain high which is about 33% in 2022. Oil, gas, coal remain at around 82% of global energy mix
- ❑ The high percentage share of fossil fuel in global energy mix is due to its availability and affordability. The percentage share of renewable energy – wind and solar power– is an insignificant 12%.
- ❑ The presenter agrees with the OPEC stand and its energy policy which took cognizance of the ever increase in the world population and industrial growth which requires an affordable and available energy alongside reduction in emissions. There is therefore the need to strike a balance between environmental sustainability, economic sustainability and social sustainability.

RECOMMENDATIONS

At today's level of world technological development, industrial and population growth, it is difficult to sacrifice economic and social sustainability on the altar of environmental sustainability in the short run. This is where Environmental Kuznet Curve became very relevant.



It shows that at early stage the energy intensity will be rising until it reaches optimum level of per capita GDP and then the energy intensity start declining at high per capita GDP level.

- ❑ Going by the above it is recommended that OPEC member countries should start diversifying their economies and reduce their reliance on crude oil export, because its demand will be falling in the long run
- ❑ OPEC member countries should invest in research and explore the possibility of removing carbon from hydrogen in order to have a cleaner energy for the future
- ❑ Multifaceted national and cross-country energy policies should be reinvigorated. This will discourage the partial focus on environmental sustainability while neglecting economic and/or social sustainability. In other words, environmental, social and economic sustainability should be simultaneously considered



THANK YOU

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