

# NEW LANDSCAPE OF ENERGY POLITICS AND GLOBAL ENERGY GOVERNANCE

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Since the 1990s, international energy cooperation has advanced on all fronts, and energy governance has become a focal point of global governance. However, with the emerging anti-globalization tide and intensified competition among major countries in recent years, the trend of “politicizing” energy cooperation has been stronger. After the outbreak of the Ukraine crisis, the energy sanctions imposed by the United States and Europe against Russia have brought an “end” to nearly half a century of free trade in energy, highlighting the trend of “bloc-based division” in energy cooperation and causing a certain degree of regression in global energy governance. Under the new circumstances, the international community not only needs to strengthen strategic dialogue and cooperation between energy exporters and consumers, and actively promote the “de-politicization” of international energy, but also needs emerging economies to play a greater role in promoting global energy governance.

## DEGENERATION OF INTERNATIONAL ENERGY POLITICS

With the regression of globalization and the rise of nationalism, the geopolitical games of major countries have been remarkably intensified, and the political and security attributes of energy have once again come to the fore. In order to achieve their geopolitical and strategic goals, the United States and Europe frequently impose energy sanctions on energy exporting countries, advocate energy and economic “decoupling” from some countries, and extend competition among major countries to the energy sector, which fragments the global market and reverses the globalization of trade in energy.

First, energy has become more “politicized”. The United States is a veritable global “superpower of sanctions” and also a prime example of using energy as weapons back against oil-producing countries. In recent years, the United States has even redoubled the use of energy sanctions and other means to pursue its national strategic interests. During his presidency, Donald Trump has repeatedly accused the Organization of Petroleum Exporting Countries (OPEC) of pushing up oil prices, threatened to enact the “No Oil Production and Export Cartel Act” (NOPEC) and imposed sanctions on Saudi Arabia and other OPEC members. In the Russia-Europe energy game, the United States has been obstructing the Nord Stream 2 pipeline project since its conception. After the Ukraine crisis broke out, the European energy crisis was aggravated mainly by the escalation of energy sanctions imposed by the United States and Europe against Russia. In 2022, the International Energy Agency issued 10 recommendations for the EU to reduce energy dependence on Russia, which were mainly non-market measures. Many multinational companies also chose to sacrifice commercial interests and submit to political will.

In the context of major country competition, the trend of “de-globalization” and “decoupling” in the United States and the West has also affected the clean energy sector: China-US clean energy cooperation has taken a great hit, as many of the previous cooperation projects on renewable energy and energy efficiency ceased to exist. The United States has been actively advocating the “decoupling” from China by playing up China’s strengths in the clean energy chain and the “threat” it poses to the United States and the West. The EU has also called for greater protection and review of clean energy technologies. There were even some voices

that compared getting rid of clean energy dependence on China to getting rid of energy dependence on Russia, arguing that “Russian energy today could be China’s green high technology in the next conflict”.

Second, the energy game has rebounded on all fronts. With the escalation of US and European energy sanctions against Russia, Russia-Europe energy relations continue to deteriorate. On 27 September 2022, Nord Stream 1 and Nord Stream 2 pipelines exploded under the sea, making the geopolitical energy conflicts between Russia, the United States and Europe even more complicated. Europe is actively exploring new import channels to get rid of its energy dependence on Russia, further intensifying competition in energy trade and markets with Asia.

In terms of energy geopolitics, the energy game between Russia, the United States and Europe is becoming increasingly complicated. On one hand, after the Ukraine crisis, the United States first pressured the EU to escalate energy sanctions against Russia, and then joined the EU and the G7 to place a cap on Russian oil prices. European-Russian energy cooperation has continued to weaken, with only a few countries in the EU, such as Hungary, remaining supportive of energy cooperation with Russia. On the other hand, Russia has taken unprecedented countermeasures by accelerating the “eastward” and “southward” process of its energy strategy. On 27 December 2022, Russian President Vladimir Putin signed a presidential decree imposing special economic measures in response to the West’s cap on Russian oil prices. In addition, geopolitical competition on new energies such as key minerals and competition for clean energy supply chains and technologies have become more intense.

In terms of trade in energy, Asia-Europe competition has become fiercer. Europe is accelerating its search for alternative energy sources and competing intensely with Asian buyers. From 2020 to 2021, Asia accounted for half of US LNG exports, but in the first four months of 2022, US LNG exports to Asia fell by 51%. The EU’s search for alternatives to Russian energy around the world is driving up energy costs and exacerbating supply gaps in some developing countries. Countries like Sri Lanka and Pakistan, unable to compete with Europe in terms of price, inevitably fell into energy and economic difficulties.

Third, energy cooperation has gradually moved toward bloc-based division. With the accelerated adjustment of international landscape, Russia’s energy exports have shifted from Europe to the Asia Pacific, more energy from the United States is flowing to Europe, and energy supply from

the Middle East and Australia to Europe increases significantly. The game between energy-consuming countries and exporting countries has been upgraded, and some countries have the tendency of taking sides in energy cooperation based on political positions.

First, the transatlantic partnership has grown closer. Under the pressure of the United States, the EU has accelerated its “decoupling” from Russia, and US-EU energy cooperation has increased sharply. The EU and the United States jointly issued several joint statements on energy cooperation, strengthening strategic cooperation and seeking greater shared interests in energy through the transatlantic partnership and NATO. From January to October 2022, the United States exported 48 billion cubic meters of liquefied natural gas (LNG) to the EU, 26 billion cubic meters more than the whole year of 2021, and crude oil exports increased by more than 50% year-on-year. Second, the United States has stepped up its crackdown on OPEC. On 5 May 2022, the US Senate passed the NOPEC and intended to file lawsuits against OPEC member countries. In July, Joe Biden visited Saudi Arabia and other Middle Eastern countries to pressure oil-producing countries to increase production. Third, the OPEC+ cooperation mechanism has been further improved. After the Ukraine crisis broke out, OPEC countries remained neutral on the issue of sanctions against Russia, repeatedly rejecting the demands from the United States and Europe to increase production and choose sides. The UAE abstained from voting on the UN Security Council resolution condemning Russia and made it clear that Russia would “always be part of OPEC+”. In mid-July 2022, Saudi Arabia said after Joe Biden’s visit that it would continue to cooperate with Russia and other non-OPEC oil producers.

## GLOBAL ENERGY GOVERNANCE SYSTEM HAS TAKEN A HEAVY TOLL

Against the backdrop of anti-globalization and intensified competition among major countries, global energy governance is facing more serious challenges. Many international energy crisis response mechanisms are seriously out of place and ineffective, and the international energy order is in “turmoil”. As the most influential international energy governance mechanism, the International Energy Agency has performed disappointingly, with no substantive action in response to the European energy crisis, and is even more powerless in the face of the trend of “weaponization” and “camp-based division” of international energy. Global energy governance is still largely constrained by the global



*Protesters demonstrate against the government's decision to demolish the village of Lüsifat and expand the local coal mine, Germany, on January 14, 2023.*

governance dilemma under the anti-globalization trend. There is still a long way to go in reforming the energy governance system.

First, globalization of energy governance has been reversed. The success of the shale revolution and the slowdown in consumption have significantly reduced the need and concern for energy supply security in the United States, and the slowdown in energy demand growth has also greatly reduced energy security anxieties in the EU. The focus of the United States and Europe has shifted more towards climate negotiations and global emissions reductions, with energy security becoming somewhat of a secondary objective. The COVID-19 pandemic has exacerbated the trend of economic nationalism and anti-globalization, and global energy governance has taken a big step backward.

Second, the international energy security environment has deteriorated. The energy geopolitical game between Russia, the United States and Europe has worsened the EU's energy dilemma, and various "spillover" effects have had many negative impacts on the international energy security environment. The US and EU sanctions against Russia to some extent marked the end of free trade in energy and triggered regional imbalances in energy supply and demand.

First, energy market stability faces new challenges. The energy sanctions imposed by the United States and Europe against Russia aggravate the fragmentation of the international energy order, reduce free mobility and significantly increase long-distance energy transport, and the "era of cheap energy" may be gone and never return. Daniel Yergin, a US energy expert, pointed out that the European oil ban on Russia, combined with US and European cap on Russian oil prices marked the end of the global oil market, which was replaced by a fragmented market. Henning Gloystein, head of energy, climate and resources at Eurasia Group, said a total ban on oil imports

from Russia could cause "real damage" to the market, with sanctions and restrictions on free trade in energy emerging as new disruptive factors triggering instability in international energy markets.

Second, the sanctions have limited the growth of oil and gas production capacity. The energy and economic sanctions imposed on oil-producing countries by major consumers like the United States and Europe have to some extent exceeded oil embargos or local wars in oil-producing countries, becoming an important factor affecting the security of international energy supply today. The sanctions imposed on Russia would make Russia cut its oil production and ultimately lead to global oil shortages. If the EU ban on Russian oil goes into full effect, 4.1 million barrels per day of oil supply will be blocked from entering the European market, which, together with the U.S. ban on Russian oil (600,000 barrels per day), means that about 4.7 million barrels per day of Russian oil will be excluded from the international oil market.

### **ADVANCING THE RETURN TO RATIONALITY OF INTERNATIONAL ENERGY POLITICS AND GOVERNANCE**

In the face of the regression and stalemate in global energy governance, the international community needs to strengthen dialogue and cooperation between energy consuming and exporting countries, oppose green trade protectionism, reject the tendency to "politicize" energy issues, use trade as a tool or use geopolitical game as a weapon, so as to promote the building of a diverse, fair and effective global energy governance system.

First, international consensus should be deepened to actively promote the "de-politicization" of energy. The "politicization of energy" is fundamentally against market and economic laws, and will eventually backfire on those who promote it. Gal Luft, a US energy expert, said "politicizing" energy

policies would not solve anything.

After the Ukraine crisis broke out, in order to maintain the stability of international markets and global energy security, many countries actively advocated international energy dialogue and cooperation, and opposed the “politicization” of energy or using it as a weapon. In March 2022, OPEC Secretary General Mohammad Sanusi Barkindo reiterated at the CERAWEEK event in the United States that the “politicization” of energy undermines market stability. In July 2022, Saudi Arabia promised to maintain stability in global energy markets after Joe Biden’s visit, and stressed that oil is a commodity and decisions will be made based on market fundamentals, not geopolitics, and opposed to imposing values on other countries. After OPEC+ made its decision to cut production in October 2022, countries like Saudi Arabia have repeatedly said their motivation to cut production comes purely from economic factors and has nothing to do with politics. In response to US accusations of buying Russian oil, India pointed out that “legitimate energy transactions should not be politicized.”

Second, governance system should be reformed to build a new international energy order. For the stability of the global energy market, the international community needs to promote energy openness in greater scope and depth, strengthen dialogue between energy exporting and consuming countries, and reduce barriers to energy trade and investment. It’s imperative to promote structural reform of traditional energy governance mechanisms and build new energy cooperation platforms through negotiation.

Multilateralism should be adhered to advance a more orderly and inclusive energy governance structure. Guided by the vision of a community with a shared future for humanity, the Global Development Initiative and the Global Security Initiative, countries need to work to promote cooperation and common security in the energy sector and jointly cope with various energy-related challenges through development. Countries need to enhance their openness, promote international cooperation on energy trade and investment, safeguard the stability of commodity markets and energy supply chains, secure energy supplies for low-income countries, and jointly work to build a global community with shared interests in energy.

Collaboration and innovation are called for to promote the reform of relevant international energy governance mechanisms. As we actively promote the reform of mechanisms such as the International Energy Agency and the International Energy Charter, we should also work to make

mechanisms like G20 more authoritative and internationally influential platforms for global energy governance. The role of the Shanghai Cooperation Organization, the East Asia Summit, APEC and other mechanisms in energy governance need to be fully leveraged, and energy cooperation under BRICS and Belt and Road Initiative should be further substantiated. On top of this, it’s also imperative to strengthen renewable energies and deepen global clean energy partnership.

Third, the role of emerging economies in global energy governance should be fully leveraged. In recent years, the energy demand of developing countries, especially emerging economies, has soared, and the share of energy consumption in Asia Pacific has been on the rise. However, just like the current global governance system cannot fully reflect the changes in the global balance of power, emerging markets and developing countries don’t have enough voice in the current energy governance architecture dominated by developing countries. Under the new situation, developing countries and emerging economies should take an active part in the reform of the global energy governance system and play a greater role through international platforms like the G20.

On 17 September 2022, the Council of Heads of State of the Shanghai Cooperation Organization issued a statement on safeguarding international energy security, calling for the reduction of trade barriers and the joint construction of an open, transparent and efficient international energy market. It advocated endeavors to support stronger coordination among energy producing, transit and consuming countries, to unblock international production and supply chains, and to encourage the reduction of barriers to technology. On October 2022, President Xi Jinping pointed out at Session I of the 17th G20 Summit that the root cause of the ongoing crises is not production or demand, but interrupted supply chains and international cooperation. The way out of this is for all countries to enhance cooperation on market supervision and regulation, build partnerships on commodities, and develop an open, stable and sustainable commodities market. It’s imperative to resolutely oppose the attempt to politicize food and energy issues or use them as tools and weapons. On 9 December 2022, President Xi Jinping pointed out at the First China-Arab States Summit that China is willing to strengthen energy policy coordination with Arab states and promote the establishment of a fair, equitable, balanced and inclusive global energy governance system. These are China’s resounding voice and powerful action to promote energy globalization and global energy governance. 