40th IAEE International Conference
Meeting the Energy Demands of Emerging Economies: Implications for Energy and Environmental Markets

Energy Security: From access to subsurface energy resources to the mastery of technologies

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Energy Security

- ES cut across a number of global issues, such as environmental issues, geopolitics, development, economics and more.

- Key non resources challenges and threats to ES
  - Civil society
  - Environment and the threat of climate change
  - Use of FF as a geopolitical weapon and supply/price manipulation
  - Dependence on conflict and politically unstable regions
  - Energy/fossil fuels subsidies, bill collection, non technical energy losses and sabotage
  - Investors Risk & Business Environment
Civil Society

Change in the Civil Society and Change in Power

We are more

More educated

And more powerful

Increasing concern to environmental issues

• NIMBY – Not In My Back Yard.
• LULU – Locally Unwanted Land Use.
• NOPE – Not On Planet Earth (!).
• BANANA – Build Absolutely Nothing Anywhere Near Anything.
• CAVE – Citizens Against Virtually Everything

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The environment and climate change

The Carbon Budget

With current emission rates (2014), the remaining 'quota' to surpass 2°C of global warming will be used up in around 30 years (one generation).

Stabilizing greenhouse gas concentrations at 450 ppm would only result in a 50% likelihood of limiting global warming to 2°C.

Preliminary weekly (red line), monthly (blue line) and daily (black points) averages at Mauna Loa for the last year.

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COP 21

INDCs - Intended Nationally Determined Contributions

Threat for FF
Dec 10-2016: OPEC, non-OPEC agree first global oil pact since 2001

Saturday’s Dec 10 2016 deal approves cuts totaling 558,000 bpd

The talks on Saturday were attended by or had comments or commitments sent from non-OPEC members Azerbaijan, Bahrain, Bolivia, Brunei, Equatorial Guinea, Kazakhstan, Malaysia, Mexico, Oman, Russia, Sudan and South Sudan.
Conflict and violent scenarios

The Oil Curse: A Remedial Role for the Oil Industry

Level of instability mid-2015:
- **Green** “stable”
- **Yellow** “economically dysfunctional”
- **Orange** “risky”
- **Red** “insecure”
- **Black** Highly insecure signifying that oil companies have experienced significant losses due to attacks, conflict, or theft—bunkering.

Over half of oil-producing countries are “orange,” indicating significant risk that conditions will change in ways that negatively impact oil operations.

Uncertain supply

Countries with oil are twice as likely to experience civil war as those without.
Energy/fossil fuels subsidies, bill collection, non technical energy losses and sabotage

Which Oil Producers Are Breaking Even
Brent June 21-2017 $45.91

Incentives
Disruptions
Fiscal Balances

http://graphics.wsj.com/oil-producers-break-even-prices/

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Investors risk & business environment

Country Risk

Ranking Doing Business 2017 (WBG)

- United Arab Emirates: 26
- Qatar: 83
- Saudi Arabia: 94
- Kuwait: 102
- Ecuador: 114
- Iran, Islamic Rep.: 120
- Algeria: 156
- Gabon: 164
- Iraq: 165
- Nigeria: 169
- Equatorial Guinea: 178
- Angola: 182
- Venezuela, RB: 187
- Libya: 188

FDI risk
Energy security enablers

- Enabling business environment
  - Rule of law, strong institutions and absence of corruption
  - Well functioning and competitive energy markets
  - Role of the private sector is key
- Well designed and resilient energy system
  - Adequacy of infrastructure
  - Diversification
  - EE
- Access to energy resources
- Innovation, enable new energy sources and access to additional resources
Natural Gas Trade

LNG Trade Volumes, 1990 - 2016

Source: IHS Markit, IEA, IGU

Source: IGU World LNG Report 2017

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Oil exploration and production technology
RE/EE and new technologies

EE programs in 146 countries by end 2015, 128 with EE targets

Solar and Wind US

Evolution of battery

Monthly net electricity generation from selected fuels (Jan 2007 - Mar 2017)

<table>
<thead>
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<th>Fuels, 2016</th>
<th>Texas</th>
<th>California</th>
<th>Iowa</th>
<th>Oklahoma</th>
<th>Kansas</th>
<th>Illinois</th>
<th>Minnesota</th>
<th>Colorado</th>
<th>Washington</th>
<th>North Dakota</th>
<th>Oregon</th>
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<td>20%</td>
<td>37%</td>
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<td>12%</td>
<td>5%</td>
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<tr>
<td>small-scale solar</td>
<td>11%</td>
<td>18%</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
<td>7%</td>
<td>21%</td>
<td>12%</td>
<td>5%</td>
<td>11%</td>
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<td>44%</td>
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<td>44%</td>
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As new energy options emerge to meet global demand, nations that lead stand to gain; should the U.S. sit on the sidelines, it does so at considerable risk to our national security.

We identify advanced energy as a national security priority

We find that a U.S. energy stance centered on fossil fuels should not delay our planning for, development of, and investment in advanced energy systems at home and abroad.
The way ahead

- **New technologies are reshaping the energy sector**, from a centralized structure to a decentralized one.

- The **renewed path of the energy sector is innovation and disruption**.

- The advancement of drilling and other energy technologies has allowed the access to new subsurface resources, of non-conventional energy sources, and the harness of energy from the wind, sun, and oceans, among others.

- **Change in the geopolitical balance**

- **New challenges** such as greater communications, smarter metering and the management of larger data, where demand side management and storage can become a key contributor on the systems levels of energy security.

- A need for a clear leadership on **where investments should go**.

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The way ahead

Governments, industry, research organizations and the scientific community have a key role in advancing the frontier of what is feasible and on the understanding of the most proper technologies and business models to manage the transition to a more decentralized system.

The levels of commitment of an economy to a low carbon economy need clarity and stable long-lasting rules from government authorities.

New business models will emerge as well as new technologies. And how the government authorities manage the transition, will be key in speeding or slowing innovation and technological change.

The countries that become the front-runners in this technological revolution, will take the industrial lead and will become the partner of choice.
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