SAEE’s Takeaways of the webinar

“Impact of Global Energy Transition on Oil Producing Countries”

• The energy transition is highly uncertain, non-linear, not uniform and with many paths.
• Historically, it has been energy addition rather than transition.
• Discrepancy between ambitions and reality: Legally-binding mid-century net-zero pledges cover only 20% of the world’s emissions.
• Perceptions and behaviours are shifting faster than actual changes in energy mix.
• The risk preferences of the industry and its adaptation strategies are changing.
• Lower for longer E&P capex while cost curves with steep decline rates are making access to capital, materiality, profitability, cash flow & production uplift key.
• Oil Exporters face monetization challenges, risk of losing export revenues and changes in perceptions and policies.
• Faster monetization strategies is constrained by low fiscal diversification and the likelihood that importing nations impose high carbon taxes to capture the rent.
• Diversification into hydrocarbons and away from it to build sustainable competitive advantage. Hydrocarbons enjoy higher margins than any new industries or sectors.
• Reduced investment flows into the oil and gas sector can cause supply to fall faster than demand resulting in high margins.
• Exiting too early from such an established strategic sector deprives the country of an important source of income and key source of competitive advantage.
• Oil producers should be part of the energy transition by investing in renewables, adopting CCE framework, invest in CCSU and negotiate a burden sharing approach, integrating the energy sector into the economy.
• International Cooperation in methane reduction and tradable carbon intensity are needed.
• The Kingdom’s energy transition is underway: energy efficiency journey, 180 programs on the different Rs of CCE.
• IEA Sustainable Development Scenario-SDS- in 2020 achieves 7 SDG targets while its NZE 2050 in 2021 achieves 3 SDG targets.
• Whether to reduce or remove carbon or both depends on the cost curve of each and the maturity of the technology.
• Saudi Arabia leads in low emissions per barrel produced, low methane emission and low gas flaring.
• Most of the growth in demand for oil will be in non-combustible uses (petrochemicals).
• Many opportunities available for O&G industry in line with the energy transition of which Saudi Arabia can lead such as blue and green hydrogen and ammonia.