

## Oil and Gas Under Attack at COP26

BY DR. TILAK K. DOSHI

As the COP26 climate summit in Glasgow wraps up, the oil and gas industries are once again the villains of the piece (coal of course is already beyond the pale). On the eve of the summit, Royal Dutch Shell's CEO [stated](#) that the company would be absent from the climate talks after being told it would not be welcome. Teenage climate icon Greta Thunberg, whose utterances have repeatedly gone viral on social media over the past two weeks, [tweeted](#) "I don't know about you, but I sure am not comfortable with having some of the world's biggest villains influencing & dictating the fate of the world."

Just prior to the start of the Glasgow summit, the US House Oversight Committee chair Carolyn Maloney [accused](#) ExxonMobil in the US of "lying" about climate change since the 1970s "like the tobacco executives were (about smoking and the link to cancer)". According to Maloney and other critics of the company, it had for years "raised doubts about climate change", as in 1997 when its then-CEO Lee Raymond said the "case for global warming is far from airtight" and that scientific evidence was "inconclusive." Evidently Ms. Maloney is unaware that even the highly qualified climate scientist Steven Koonin, undersecretary for science at the U.S. Department of Energy in the Obama administration, [finds](#) that Mr. Raymond had it exactly right. In his recently-published book "[Unsettled](#)" which offers an authoritative survey of the scientific literature, Koonin concludes that climate science is indeed far from "settled" and climate alarmism is unwarranted.

The Western oil majors have long been being [accused](#) of being like tobacco lobby of the 1970s. Now they ask for time to "transition" out of the fossil fuels to grow their renewable energy business. But for non-Western state-owned oil producers, over which activist shareholders and dearbonaization-focused Western governments have little influence, the special ire expressed by various commentators is remarkable. Among the group of oil producers, Saudi serves as a lightning rod.

Greenpeace [expressed](#) "grave concern" at "moves by the Saudi government to cripple the COP26 climate talks in Glasgow". The NGO accused the Saudi government of being "smart, strategic and utterly cynical", pushing back on including the 1.5°C goal -- an [arbitrary limit](#) that seems to have taken a life of its own -- at the talks. Greenpeace says that the Saudis behaved as an arsonist at the talks, they "light matches, drop them, start fires and walk away".

But beyond the hyperbole, even seasoned observers of oil markets seem to have taken to criticizing the Saudis. A recent [Bloomberg column](#) accused Saudi energy minister Prince Abdulaziz Bin Salman of "delivering a masterclass in gaslighting" when he argued that the roots of the current energy crisis can be found in the decades of anti-oil policies adopted by the developed countries. "Gas-lighting", to remind ourselves, [refers to](#)

psychological manipulation over an extended period of time that causes victims to question the validity of their own perception, leading to confusion and a dependency on the perpetrator. That is a serious charge indeed.

The article goes on to accuse Saudi Aramco, the state-owned oil company, of ignoring the world's biggest consumers' requests to increase oil supply. It continues, "despite what Prince Abdulaziz would have you believe, OPEC+ exists to look after the interests of its members, nobody else." You would have thought that sovereign governments and their national oil companies are tasked with representing the interests of their citizens. The effrontery of the argument that oil producers should decide on their supply and pricing decisions on the basis of their customers' views rather than on the laws of demand and supply and maximizing profits is astonishing.

Adam Smith, the founding sage of the discipline, famously observed, "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages." One might ask what were customers' views when oil prices collapsed in mid-2014 and led to massive fiscal imbalances and a dire economic growth outlook for oil producers?

In a recent TV [interview](#), Harold Hamm – the famous US oil and gas entrepreneur and lead player in the "fracking revolution" that catapulted the country to its position as the world's leading oil and gas producer – was asked about the Western criticism on the industry apparent at COP26. The TV host asked him, "do you feel like Custer" (referring to American cavalry commander who led his men and himself to death at the Battle of Little Bighorn in 1876)? His response: "this (Biden) administration does not understand Economics 101...and has it all backwards". Mr. Hamm was referring to the Biden's executive actions since attaining office, ranging from the revoked permit for the Keystone XL pipeline, suspended oil leasing in Alaska to the halting of permits to drill in oil and gas leases on federal lands. But perhaps it wasn't so much an ignorance of economics as much as the perceived political benefits of hewing to the Democratic party's environmental constituency.

In another TV [interview](#) on November 6th, US Energy Secretary Jennifer Granholm threw her head back and laughed when asked if there was a plan to bring down gasoline prices – now at 7-year highs, having [increased](#) by 60% in the past year. She apparently found the question hilarious and said: "would that I had the magic wand on this...Oil is a global market. It is controlled by a cartel. That cartel is called OPEC, and they made a decision yesterday that they were not going

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to increase beyond what they were already planning.” There was no recognition of the contradiction in castigating the OPEC+ oil producers group for refusing to ramp up oil exports beyond its scheduled monthly increases while the Biden administration is doing its best to hobble domestic oil and gas production.

In his latest response to high gasoline prices, a barometer of US presidential popularity, President Biden has [asked](#) the Federal Trade Commission to examine the role of oil companies in illegally causing high gasoline prices. In response, the American Petroleum Institute said “Rather than launching investigations on markets that are regulated and closely monitored on a daily basis or pleading with OPEC to increase supply, we should be encouraging the safe and responsible development of American-made oil and natural gas.”

As countries emerge from the covid lockdowns, oil demand is surging. According to BP, global oil demand has now [bounced back](#) above 100 million barrels a day, a level that marked the peak seen before the pandemic. October gasoline sales in India reached an [all-time high](#) -- 8.3% higher than in October 2019 -- as covid cases diminish, the economy recovers and mobility increases. While the country “promises” net zero carbon emissions 50 years hence (in 2070) to COP26 host Prime Minister Boris Johnson’s [evident delight](#), it is also busy planning the start of [multiple new refinery construction projects](#) driven by economic growth and concomitant oil demand.

While the Saudi government has [announced](#) large investments in renewable energy to the approbation of the climate activists, the state oil company Aramco forecasts continued global oil demand growth for the foreseeable future and will [boost its oil production capacity](#) to 13 million barrels per day (bpd) by 2027 from 12 million bpd now. Other producers that plan significant production capacity increases [include](#) the UAE, Iraq, Guyana and Brazil. As the developing countries undergo economic recovery from the covid pandemic, veteran oil analyst David Blackmon [states](#) baldly, “forget about peak oil (demand), we haven’t even reached peak coal (demand) yet”.

While the vilification of the oil industry continues apace in the West, it is clear that for the developing countries, accounting for 80% of the global population, “nationally determined contributions” to constrain carbon emissions at annual climate summits will not override their legitimate aspirations for poverty alleviation and better standards of living for their citizens. This higher order imperative depends on a baseload of reliable and affordable fossil fuel supplies. As willing buyers, oil-short developing countries will continue to have durable and mutually-beneficial partnerships with oil producers. Oil companies committed to the “energy transition” and governments overly focused on decarbonization in the West play little or no role in this equation.



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