

# 7<sup>th</sup> European Energy Forum — 7-8 June 2018, Paris

## Oil and gas in the Global Energy Transition

### Presentation

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How should the world's oil and gas industry fit in with the transition of the global energy system driven by the Paris agreement in a context of relatively low prices?

The 7<sup>th</sup> European Energy Forum takes place at the outset in the new competitive landscape of the global industry, characterized by lower prices environment. The Forum will address the long-term impacts of climate policies on national and international oil and gas companies' strategies, as well as the policies of producing countries. Does this context complicate or, conversely, reinforce the need to adapt the strategies of companies and the policies of producing States?

Analysing the role that oil and gas will retain in the global energy mix over the medium and long term is essential. Faced with lower prices and carbon pricing that will most likely remain below the expectations, policies and measures are particularly important in reducing the use of fossil fuels in transport and power generation. While oil seems to be able to resist in the transport sector, it is widely understood that natural gas will play a major role as substitute of coal and, to a much lesser extent, to petroleum products for electricity production.

The companies' business model, which is based on the assumption that demand for oil will continue to grow and gradually become scarcer in the longer term, resulting in higher oil prices, and the need to increase reserves, is being questioned against the backdrop of companies' financial performance. The oil market is undergoing fundamental structural changes brought about by a technological revolution and geopolitical shifts, while countries are increasingly committed to combating climate change.

The trend of decarbonization of the global economy that is taking place is a wake-up call for exporting countries whose economies are very vulnerable to the current trend of energy transitions due to their high dependence on rents: importance of public employment, low productivity, fragile industrial sector, heavily subsidized economy.... Rent is also the keystone of political stability and social peace in these countries. Many countries are already embarking on energy policies to rationalize oil consumption and systematically use natural gas for electricity production in order to maintain their export potential. Many have macroeconomic and industrial modernization policies in innovative areas; others seem less active. In this context, the likely prospects of low prices should provide an incentive to pursue economic diversification and fiscal rebalancing strategies.

If these developments are desirable, can they be encouraged at the international level and in cooperating with consuming countries, via international commitments in the low-carbon transition? How can or should governments, companies and banks support this movement with appropriate energy and climate policies and strategies?