



The EU's Energy Security Risks

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1. Introduction

Good evening.

The German Marshall Fund events here in Brussels always provoke discussion, fuel debate, and inform decision-making.

And as we know, it was the work of George Marshall that helped decide the future path of Europe, leading to the formation of the European Union.

So, it is an honour to be asked to speak tonight – and to open what I'm sure will be a fascinating debate.

During his famous Harvard speech back in 1947, George Marshall was interrupted twice by applause from the audience.

Please don't feel the need to do the same with me this evening, however tempted you may be to do so.

The Marshall Plan was incredible success, of course.

But I was surprised to learn that 50% more money was spent on post-war reconstruction in Iraq and Afghanistan.

Some observers note that despite that funding there is little to show for it, citing a lack of security as the reason.

An illustration, perhaps, of how creating a sustainable and secure future for nations is not easily achieved.

And the same is true of energy.

Which brings me to tonight's discussion

More specifically about the security risks associated with energy in the EU.

I will do that by providing:

- An overview of the energy landscape
- The security considerations for the EU
- And, the opportunities ahead... and there are many

2. Overview of energy

Allow me to begin by setting out today's energy landscape, where we find ourselves at an inflection point.

On one hand, we see that energy demand continues to increase as economies enjoy the benefits it provides to prosperity.

But on the other, we see that the world needs to reduce emissions to help combat climate change.

The latest edition of BP's Statistical Review of World Energy - which looks back at energy use for 2018 - shone a light on the significance of this.

It showed that in 2018 global carbon emissions grew at their fastest rate for seven years, at some 2%.

This took place as consumption grew at nearly 3%, its fastest rate for nearly a decade.

This shows that the world is far from being on a sustainable path.

That's reflected in the growing expressions of concern...

From the activists in the streets...

To the politicians in parliaments, as they debate how the world gets to net zero, and in what timescale.

We all understand the need to achieve a sustainable world.

2.1 EU leading the way

But let's not forget that it is in Europe, and the EU specifically, where leadership has been shown in helping to create a more sustainable energy model.

Although global emissions rose last year, in the EU they declined by 2%.

And where coal demand grew globally by 1.4%, consumption declined in the EU by over 9%.

And while renewables grew to 4% of the global energy share, it is more like 10% in the EU.

When we look out to the next 20 years of energy, BP's Energy outlook shows that the EU, thanks to its policies, continues to lead the global transition towards a carbon-free economy.

Indeed, at a time when global emissions are set to rise by 10%, in the EU they are expected to fall by over a third (36%).

Coal, which is on track to flat-line in growth by 2040 globally, will fall by something like 66% in the EU.

And, renewables which still won't make up 10% of global energy by that time, will in the EU become its largest source of energy by 2040.

3. Security considerations

Yet, while this progress takes place across the EU, we see that half (50%) of its energy is set to be imported in 2040.

That figure is only marginally down on 54% today.

The EU maybe the largest economy in the world, but it is resource-poor.

When you look at oil, the EU has less than 1% of the global share of resources, but last year accounted for over 15% of global consumption.

The story of gas is similar, with the bloc making up just 2% of global reserves, but accounting for over 14% of global consumption.

In 2040, something like 83% of the EU's oil and 88% of its gas will be imported.

In fact, nearly a quarter (23%) of all EU energy will come from just one country – Russia.

This amount of future dependency, particularly on one nation, could be viewed as unsettling.

Particularly given the ever-increasing instability around with tensions in trade and geopolitics.

Yet, it is worth remembering that tensions are nothing new.

With Russia, whether it's the Cold War of the past or the tensions of today, the provision of energy remains secure.

And look elsewhere around the world.

Arab states continue to supply oil to allies of Israel.

And Iraq carried on producing when parts of the country were in turmoil.

That's why William Schultz once said: "Borders frequented by trade seldom need soldiers."

Time and again, whatever the political weather, energy trade has continued.

But that's not to say diversification of supplies isn't important.

And with that I see three big opportunities for the EU.

4. Opportunities

4.1 Ramping up renewables

The first lies in renewables, to which the EU has already shown real leadership – as mentioned

Already, on current trends we see that renewables could account for a third (29%) of all EU energy consumption by 2040.

That represents a threefold increase on today's share, with two thirds of coming from wind.

This progress on renewables is, however, punctured by the reality of their limitations.

Because despite this growth, renewables start from a small base. So as much as we may wish it, they will not be able to satisfy total energy demand for some time.

4.2 Growing gas

This brings me to the second opportunity, which lies in natural gas.

We believe that natural gas is the best partner for renewables and helps ensure a reliable and flexible energy system.

Remember, natural gas burns half the emissions of coal, and is highly accessible.

Russia continues to be of high importance for Europe's energy needs – particularly with gas.

We believe that the country can remain a reliable energy supplier into the future.

But of course, energy security is best served by having a choice of supply, rather than relying on one partner.

And fortunately for the EU, there are abundant sources of gas from neighbouring countries – notably in Algeria, Azerbaijan and the Eastern Mediterranean, including Egypt.

In this respect, the Southern Gas Corridor is a strategically important project for BP and the EU's diversification efforts.

What's more, the project is on track for first gas to Europe next year.

And gas into Europe need not be confined by pipes, as LNG has an increasing role to play – acting as an insurance policy.

Its share of EU's gas is expected to grow from 11% in 2016 to 21% by 2040.

4.3 Energy efficiency

The third and final opportunity relates to energy efficiency.

We talk a lot about growing supply to meet increasing demand, but if we used the energy we had better then we wouldn't need to produce so much.

It's staggering to think that globally, by some estimates, less than 20% of energy is usefully deployed for useful heat, light and mobility.

What's more, that energy we already use could go much further, to other economies.

For example, BP's economics team found that increases in energy consumption up to around 100 Gigajoules (GJ) per head are associated with substantial increases in human well-being.

Yet around 80% of the world's population live in countries where consumption is below that benchmark. My home country of India, for example, is 24 gigajoules per head.

However, there are many countries who far exceed the 100 gigajoules threshold.

And since the link between living standards and energy reduces above 100 gigajoules there is a strong argument for those countries to reduce their consumption to EU levels, which sit at around 120 gigajoules per head.

So, one could envisage a kind of global pact in which the energy-rich countries pledge to become more energy efficient and in return countries like India pledge to increase its own energy use in a way that is as efficient and environment-friendly as possible.

5. Conclusion

So, for a resource-poor bloc like the EU, energy security will always be a risk.

In managing this risk there are opportunities to create a sustainable and secure future.

The EU needs to ramp up its use of renewables.

Grow opportunities for natural gas.

And, continue to show leadership in energy efficiency.

In doing all this, the EU not only helps itself to become more sustainable and secure, but it maintains its role as a world leader.

As George Marshall said, “A readiness to co-operate is one of the great and hopeful factors of the world today”. He said that in 1953, but its as every bit true today and in the future.

Thank you.