Anti-Oil Lobby Faces Reality Check as Global Demand Is Set to Break Records

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Last year, the International Energy Agency made headlines by calling for an end to new oil and gas exploration by the end of the year. A few months later, the IEA was calling for more oil.

This week, the secretary-general of the United Nations, Antonio Guterres, said that investing in new oil and gas production was "delusional", calling on "all financial actors to abandon fossil fuel finance" and focus on renewables instead.

But the UN's most senior official did not stop there. Guterres then went on to say that

> "The only true path to energy security, stable power prices, prosperity and a livable planet lies in abandoning polluting fossil fuels — especially coal — and accelerating the renewables-based energy transition."

This is a sentiment shared by the head of the IEA, too, on numerous occasions. Like Guterres, the IEA's Fatih Birol is a staunch supporter of the energy transition, which he sees as the only way forward. Unlike Guterres, Birol seems willing to allow for the fact that we still need oil, and lots of it.

Last month, Birol warned of even higher oil prices during the summer because of strong demand, expressing hope that several large oil producers would increase their output this year.

> "I very much hope that the increase coming from [the] United States, from Brazil, Canada this year, [will] be accompanied by the increase coming from the key producers in Middle East and elsewhere," Birol told CNBC in an interview on the sidelines of the Davos gathering.
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> "Otherwise, we have only one hope that we don't have big trouble in the oil markets in

summer, which is hoping … that the Chinese demand remains very weak."

In other words, the IEA's head, unlike the head of the UN, acknowledged the fact that the world is consuming ever-growing volumes of oil, and the fact that these volumes cannot come from wind parks and solar farms in what could be seen as a big win for realism.

Guterres, meanwhile, is not only calling for the end of oil but is also telling university graduates to avoid getting a job in the oil and gas industry, calling these companies "climate wreckers" and warning that "accountability is coming for those who liquidate our future."

Meanwhile, a barrel of Brent crude is trading above $121, West Texas Intermediate is trading for over $119 per barrel, and OPEC just reported that its output last month had declined. Libya is on its last oil legs, producing about a tenth of what it was producing at the start of the year.

U.S. shale companies have flatly refused to upend their plans following calls from President Biden—another energy transition devotee—to pump more, Saudi Arabia appears reluctant to tap its spare oil capacity, and Russia is redirecting oil flows under sanctions, although few believe it would be able to place all barrels that currently go to Europe elsewhere, predicting a substantial loss of output.

The oil market imbalance, then, may be about to deepen further, making oil even more expensive, highlighting its vital importance for every economy in the world, including Mr. Guterres' very own Portugal, a leader in renewable energy and a country dependent on oil imports because it ended its own oil and gas production as part of its transition.

Speaking of renewables, the UN's secretary-general is not the only one eager to see a lot more money being poured into wind and solar. The European Commission's leadership is likewise eager for this. It has even suggested cutting red tape for new wind and solar projects in order to speed up the buildup in renewable energy capacity.

Taking care of the demand side, the European Parliament recently voted in favor of a ban on internal combustion engine car sales, to enter into effect in 2035. This means that EVs must go from 0.5 percent of all cars in the European Union to 100 percent in eight years. Nobody is calling this delusional.

Talking about the costs of the transition to renewables is also something that is not being talked about much, although news about metals and minerals prices is making it to the public. Despite this news, neither Guterres, the Biden administration, nor the EU administration seems willing or able to make the connection with their renewable energy plans, which are about to become even more expensive than they were. Meanwhile, the price of oil keeps rising.

Denying a certain reality because it is too far from your preferred reality is perhaps a form of self-preservation. This form of self-preservation, however, cannot go on forever because sooner or later, actual reality asserts itself, often painfully.

Calling oil and gas investment "delusional" might sit well with climate activists in June but come winter, when these activists, just like everyone else, will have to pay for heating, things might look differently, especially in Europe, as less sunlight reaches the surface in the northern hemisphere and wind speeds decline as they tend to do during the winter.

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