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How The West Destroyed Its Chances of Energy Independence



Russia's decision to ban diesel exports has a markedly domestic media character. It is about convincing citizens that the collapse of the purchasing power of the ruble and inflation are external factors and that stopping exports will lower prices, something that has never happened.

Of course, the headlines blame Russia for the diesel shortage and price hike in Europe (about 45% in a few months), but did we really expect Russia to export all the diesel we wanted during a war and an embargo?

The reality is very different. The problem of diesel shortages in Europe has been around for years and governments have created it artificially.

The wrong European policy and the constant environment of losses to which the sector in Europe has been subjected have resulted in almost 30% of the continent's refineries being shut down since 2009.

In 2009, there were 100 refineries operating in the EU and, since then, 26 have been closed or converted into biorefineries.

The 75 mainstream refineries operating in 2021 in the EU-27, the United Kingdom, Norway, and Switzerland have a primary refining capacity of 650.8 million tonnes.

This represents a decrease of 156 million tonnes of primary refining capacity since 2009, according to the 2022 report by Fuels Europe.

The European policies and strategies of their companies have done much more harm to diesel availability than Russia's announcement

In context, Russia exported only 35 million tonnes of diesel. Europe has reduced its primary refining capacity since 2009 by a figure that is four times more than Russia exports.

In other words, the European policies and strategies of their companies - many state-owned ones - have done much more harm to diesel availability than Russia's announcement.

An ideologized environmental policy, an economic environment that makes investment uneconomical and constant political pressure have left Europe unable to respond to a geopolitical problem that, under normal conditions, would have been nothing more than an anecdote.

The same is true of oil. The West has pursued a systematic policy of attacking oil and gas investments from all fronts, political and legislative, with restrictions and bans that have left the sector in a situation of underinvestment of more than \$600 billion annually, according to JP Morgan estimates.

With the wrongly-called "green" agenda, as it achieves the opposite of what it pretends to defend, oil companies have devoted themselves to everything but their own business, and several European majors carry almost a decade of investment below their depreciation level in exploration and production while devoting themselves to destroying value in expensive and useless capital adventures.

We must not forget that we have shot ourselves in the foot by limiting non-OPEC production capacity

We are not going to fall into this column on the conspiracy theory that Russia or Saudi Arabia are cutting output due to evil intentions... The empirical evidence is that the reduction in production by OPEC plus producers comes as a response to weak demand and low prices over the past twelve months.

However, even if we believed the conspiracy theories about the Machiavellian desires of the producers, we must not forget that we have shot ourselves in the foot by limiting non-OPEC production capacity (around 56% of

world production) which is the one that has lowered prices and historically dismantled the bottlenecks generated by wrong OPEC decisions.

By limiting and prohibiting the capacity for investment in domestic oil and gas resources in Western countries, developed nations are now more dependent on producers who account for less than 44% of global output and much less in terms of exports.

Let us not forget that Russia produces almost 10 million barrels a day, but it exports only about 4.5 million.

Now, Robert Kennedy Jr. announces that, if he is president, he will ban fracking. Shale oil and gas have made it possible for the US to have lower oil and natural gas prices than its comparable countries, and to save Europe from blackouts and a winter without heating.

This would lead to an absolute dependence on OPEC countries and, as a result, to very high energy prices or even supply restrictions.

Governments in Europe and the West are going to make their countries dependent on China's entire renewable production chain and continue to depend on OPEC and Russia for natural gas and oil

You may think that all this demonstrates that renewable investments must accelerate, and I agree, but we must not forget that the same people who spend the day talking about alternative energies, prohibit or limit investment in copper, lithium, cobalt, and rare earth mining. Some people think that windmills and solar panels are made by singing John Lennon's Imagine...

With this ideological and short-sighted vision of energy, governments in Europe and the West are going to make their countries dependent on China's entire renewable production chain (for lithium, cobalt, and rare

earths) and continue to depend on OPEC and Russia for natural gas and oil by refusing to develop domestic resources.

Everyone in China knows that the EU is digging its own energy grave with a policy that ignores industry and the need to multiply the mining of the commodities needed for the entire energy, renewable and conventional complex.

That is why China has reached record levels of coal imports while massively developing renewables. One thing doesn't eliminate the other. China knows that there is no successful energy transition without abundant and affordable supply.

All this comes from a Western ideological and interventionist view of energy that ignores the importance of security of supply and competitiveness. This is an energy transition planned by bureaucrats who put ideological prejudices ahead of industrial reality.

A successful energy transition requires innovation, competition and technology but also enabling creative destruction while reaching solutions that make renewable energy sources widely viable, ensuring constant and economically efficient supply.

There is no energy transition without nuclear power and natural gas

The world is astonished at the European energy short-sightedness that eliminates nuclear power, refining capacity, bans the development of its own resources and at the same time presents itself as an example of decarbonization. There is no energy transition without nuclear power and natural gas.

No serious person would think of destroying their own energy capacity throughout the chain, from exploration and production of oil and gas to nuclear, and presenting itself to the world as an example to follow... The EU is an example not to be repeated.

An efficient and competitive transition will never be achieved if the ability to generate abundant and efficient energy with existing technologies is submerged before new alternatives are fully developed.

What the West has achieved, again, is to rely more on China, OPEC and Russia.