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## Q&A-U.S. behind the curve in energy transition; Climate shift could rewire global geopolitics, but fossil fuels here to stay: Dan Graeber, GERM Report



The U.S. is behind the curve in its transition to clean energy and renewables, and will need huge investments to clean up the energy sector, change infrastructure and meet its climate objectives, **Dan Graeber, energy analyst and author of the GERM (Geopolitical Energy and Risk Monitoring) Report**, told the Reuters Global Markets Forum on Thursday, May 6.

Climate shift in itself could redraw geopolitical lines of power, even though a robust renewable energy sector may not have the same geopolitical influence as a strong oil industry, Graeber said.

"Fossil fuels aren't going away so they will remain part of the geopolitical landscape for years to come," he added.

Following are edited excerpts from the conversation:

### Q: What progress do you think the U.S. green-energy transition and renewables will make on President Joe Biden's watch?

A: I think the transition already began before Biden came into office, but it was something of an undercurrent given the (former President Donald) Trump administration's push for energy dominance.

We'll see how the lease situation plays out. Some states will be winners, and some won't. Texas, for example, doesn't have the same federal acreage that New Mexico does, so we might see some players crossing state lines there. Meanwhile, the quarterly earnings out so far are riddled with talk of the energy transition.

It seems the like of British Petroleum, et al are already moving along on the transition with various commitments on wind, CCS (carbon capture and storage), etc.

The U.S. is behind the curve in the energy transition, but it has a good foundation to work from. The economy is greening up, and it may be less of a political issue than an awareness one.

### Q: Biden has just pledged a bigger cut in emissions, how will investments need to be increased to meet these targets?

A: We'll need to see a lot of investments in cleaning up the energy sector. Fossil fuels aren't going away, so the industry will need capital to change the infrastructure to meet climate objectives.

Meanwhile, I'm looking today at the shipping industry and see some major players there spending on newbuilds that run on LNG and other cleaner options. The energy transition seems to be a good investment opportunity rather than a net detriment to the industry.

### Q: Is there any particular avenue more alluring than others in the range of CCS, renewables, offsets or divesting entirely?

A: I would think it would be a fit-for-purpose transition. Midstream is playing to what it does best for a cleaner future, upstream will do what it does, while downstream, we're seeing a push to clean up well activity and such.

### Q: How much will a climate shift rewire global diplomacy, say for OPEC, etc.? How will this affect developing countries?

A: That's an interesting thing. We can look back at issues like the Carter Doctrine that put energy security on the same footing as national security. On one hand, my mantra is that the Cold War is alive and well and running through a pipeline somewhere in Europe, or perhaps an LNG terminal in Lithuania, but I don't know that a strong renewable energy sector has the same geopolitical influence as a strong oil sector.

That said, in the foreign policy arena, if party A does not exert its influence over the Persian Gulf region, for example, another party will. So, will OPEC wane? Does U.S. energy dominance evolve to mean something different? Of course. But as I said earlier, fossil fuels aren't going away so they will remain part of the geopolitical landscape for years to come.

**Q: What form do you think U.S. energy dominance will eventually take?**

**A:** Right now, that dominance seems to be most visible in natural gas. Washington is keen on thwarting progress on the Nord Stream 2 pipeline. And LNG may be the U.S. answer to that, but we need to consider costs, distance, and the like. Why would I secure LNG from the U.S., when Qatar is closer, and Russia is already interconnected?

(Nord Stream 2) is very, very close to completion, and it seems it's progressed too far. It's like a too-big-to-fail project at this point.

Perhaps U.S. energy dominance will be diplomatic like the Carter Doctrine was. That said, we need to consider the sea change not only from the energy transition but also from the pandemic. Things have changed and perhaps some of the old models of international politicking won't be as effective in a post-pandemic world, whatever that looks like.

**Q: What are the lessons for the U.S. energy industry and policymakers from the Texas freeze earlier this year?**

**A:** My take is that subfreezing temperatures in Texas may be too rare to justify any significant spend on resiliency, but we did learn it can happen. From the 10,000 feet view, that may be part of why the Biden administration wants to spend so much on infrastructure. If we take the February weather as a 100-year event, that tells U.S. it has a slim chance of happening again. From a policy standpoint, it could be just that: political.

**Q: Could Texas broaden supply sources of its electricity market to add stability, so such crazy bills aren't incurred?**

**A:** It could, sure, but there were issues with wind too if I recall. Some of the big players, like the American Petroleum Institute, are embracing an all-of-the-above policy on energy, so that may be part of the solution for Texas. But demand is demand and the market is the market. Texas wasn't the only victim of Winter Storm Uri.

**Q: Wyoming's governor said that Biden's drilling halt on federal land will benefit the Middle East. Do you see pressure building on Biden to reverse some of his policies based on U.S. geography?**

**A:** I feel those are largely political comments meant to cater to a constituency that has a stake in conventional energy. Texas, as I said earlier, doesn't have the same federal land footprint that New Mexico does, for example. And let's not forget Canada is the largest crude oil exporter to the United States, followed by Mexico.

**Q: Could these political backlashes delay overall reforms for the energy transition process?**

**A:** Yes, indeed. We're seeing the Republican party going through a profound transformation, becoming more and more assertive. We've seen the GOP mush through its agenda even before the Trump presidency. And during the Trump administration, we saw oil industry players become more influential. So, that influence will only continue, particularly with the Democrats holding a slim majority.

**Q: Globally, how can resource-dependent nations position for a greener future? Should using the windfall of monetizing their assets to fund a transition be the key priority?**

**A:** That's an interesting question. I'm reminded of situations where countries swap electricity and such, so in some ways, we could see new dependencies emerge in the same way that we saw OPEC dominate in the 1970s. Take the rare earth elements for batteries, that's a new issue in a new era.

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