

Oil Sands Transition – Energy Security

In the face of the ongoing war in Ukraine, the O&G industry has turned to a key message that [increased gas production and more LNG](#) will reduce the destabilizing impacts from Putin’s war in Ukraine. That messaging sadly distracts from the massive price shocks and acute supply shortage that resulted in nations developing new energy security plans that seek energy independence from fossil fuels.

Strategic Policy Plank

As countries come to terms with their energy security concerns there has been a notable shift in thinking around how to achieve energy independence. Achieving stability through a transition to less volatile and geo-politically fraught fuel sources has become a strategic geo-political policy plank. This is consistent with [International Energy Agency \(IEA\) analysis which claims](#), “energy markets and policies have changed as a result of Russia’s invasion of Ukraine, not just for the time being, but for decades to come” and “even with today’s policy settings, the energy world is shifting dramatically before our eyes. Government responses around the world promise to make this a historic and definitive turning point towards a cleaner, more affordable, and more secure energy system.” Seen through this lens, energy independence will no longer be about finding ways to secure and grow O&G supply but, rather, will be a race to make the entire concept of a reliance on O&G obsolete.

The Future is Now

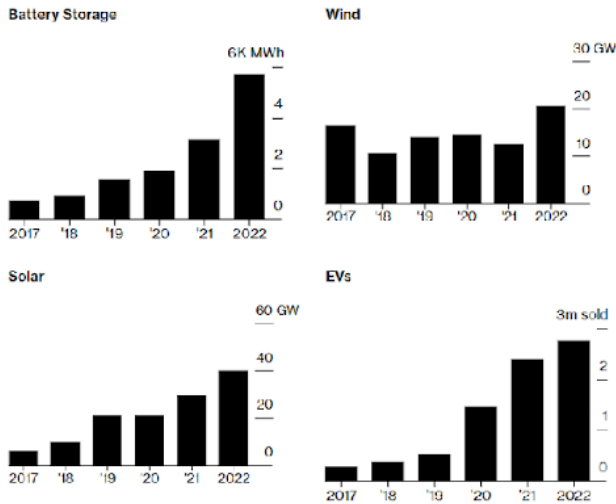
In response to energy security concerns, many countries are trying to address supply uncertainty by accelerating structural changes. India has unveiled a \$30 billion plan [to triple its clean power generation capacity by 2030](#), while lack of access to a domestic supply of fossil fuels combined with government policies supporting low carbon fuels has [elevated the Philippines into the top tier of all renewable energy growth markets by 2030](#).

While the war in Ukraine has created an acute energy crisis it has also served to viscerally reinforce the reality that European nations continue to rely heavily on fossil fuels. This reliance has served to accelerate the energy transition even further. As shown in figure 1 below, the response to acute gas shortages and high prices from the war in Ukraine has “[shown that it’s possible to go harder and faster in deploying solar panels and batteries, reducing energy use, and permanently swapping out entrenched sources of fossil fuel](#)”.

Figure 1: Green Technology Deployment

Europe Deployed a Record Amount of Green Tech in 2022

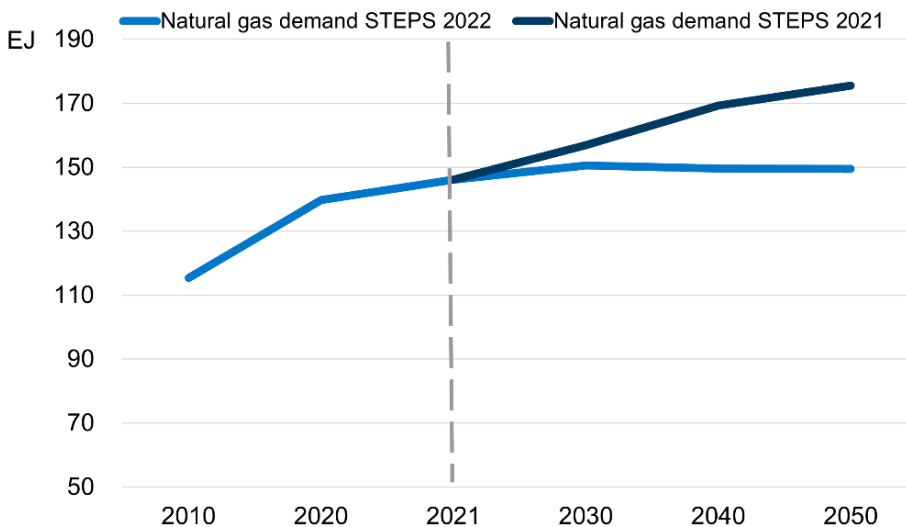
A shift to renewables is the only way to permanently cut fossil fuels



Source: BloombergNEF
 Note: Data for European countries (EU, Norway and the UK), excluding Russia and Belarus. EV data also includes Iceland.

In aggregate, the rapid pace of transition over the past year has led the IEA to claim that “[the golden age of gas is over](#)”. Whether it’s Asian countries taking massive leaps to expand renewables or European nations unlocking energy efficiency opportunities and pushing electrification fueled by renewables, natural gas is started to see a decline in demand leading the IEA to shift its [STEPS forecast for gas demand](#) (see figure 1 below).

Figure 2: Natural gas demand revised downwards.



Source: IEA WEO21 & WEO22

A New Energy “Trilemma”

As the oil and gas sector reaped windfall profits on the back of price shocks from Putin's war, the world has taken action to accelerate the transition off O&G. However, and despite this global response to energy insecurity, the Canadian oil and gas industry continues to view geo-political conflicts and associated supply crunches as an opportunity to message Canada as the safe and reliable supplier of choice, virtually ignoring this fundamental shift. As Albert Cheung, Head of Global Analysis, BloombergNEF (BNEF) writes,

“In the ‘energy trilemma’ of old, energy affordability and security came as a package – fossil fuels were seen as both dependable and affordable – and it was sustainability that came at a premium. Now, we live in a world where clean energy is the affordable option, and energy security comes with the higher price tag.

The good news is that clean energy deployment also supports energy security, and so the quest for greater energy security will ultimately lead to a faster transition.”

BloombergNEF, [Energy Transition in 2023](#)

As world energy demand shifts to reward low carbon energy, Canadian oil and gas suppliers will need to evaluate where their supply fits within this new energy security paradigm.