

Opinion – The Climate and Democracy Costs of a Hydrocarbon Revival

Written by Antulio Rosales

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ANTULIO ROSALES, MAR 17 2022

Russia's invasion of Ukraine has provoked intense geopolitical games and a global economy upheaval, marked by a strengthened north Atlantic alliance and increased concerns over a potential global conflict between major powers. After some time receding to the rear-view mirror, an early winner in this conflict seems to be the old hydrocarbon energy regime. Anxiety over energy supply world-wide and a steep increase in prices have generated renewed interest in deepening oil extraction. Yet, the costs of this hydrocarbon renewal may be too high for the climate and for democracy around the world.

With escalating tough economic sanctions imposed on Russia by the US, Canada, and European countries, it has become difficult to find new ways to suffocate Russia's sources of income without also going after its vast energy exports. The US has imposed an import ban of Russian oil and buyers around the world have begun to stop purchasing Russia's crude. Russia has been forced to sell its oil at much lower prices, a premium Rosneft and other companies must pay for others to take their oil, while the global energy market has suffered price hikes that are beginning to be felt at the gas pumps in the US and other places.

Amid this volatility there are increasing calls to increase production. The Biden administration has touted the US ability to pump more oil than ever. In Canada, the premiers of Alberta and Newfoundland have promoted their oil industries as reliable suppliers. Jason Kenny, the premier of Alberta, explicitly asked president Biden to reinstate the Keystone XL pipeline project, rejected by the Obama administration back in 2015. The issue of infrastructure is an important one because any major commitment for investment to increase oil supply will require new infrastructure to bring the crude to its buyers.

But building contentious infrastructure and committing new investments to oil will lock-in hydrocarbon dependence for much longer, precisely when a transition away from it is most needed. The short-term instability in the oil market should not be an excuse to roll back on climate change targets that wealthy countries have reluctantly adhered to. This is the time to double down on paths to a sustainable transition, not to redress them. Social science research demonstrates that entrenched petro-cultures and vested interests of the fossil fuel industry are sticky and can easily tie governments' hands and prevent necessary measures to keep oil in the ground.

The risks of a hydrocarbon lock-in not only affect the prospects of the fight to climate change but also for democracy in different parts of the world. Take Venezuela, for example, where the US government sent an official delegation with the goal of setting some negotiations in motion between the Maduro regime and the opposition in exchange for the lifting of sanctions that could allow US oil companies to resume operations in the country and let Venezuelan oil flow back to US refineries. While it is encouraging to see signs of change in the US approach to Venezuela, after years of failures in its maximum pressure strategy, a rushed negotiation where the Maduro regime can easily tap into the US gas price anxiety to get much-needed relief without giving substantive concessions is a huge risk.

The legitimate aspirations of Venezuelans to return to democratic governance and respect for human rights should be front and centre in any negotiation that involves reactivating its oil industry to supply crude for the US market. This is a moment when the Maduro government holds considerable strength, and the opposition is weakened and divided.

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In fact, Maduro will certainly use the negotiating table to divide it further by inviting new actors to the table, some of whom have long been tamed by his own government.

Moreover, a sustainable transition must be part of the conversation in a traditional petro-state that has already witnessed a predatory decline in its oil industry. In the past several years, Venezuela drastically lowered its oil production, largely due to mismanagement of the oil industry, corruption, and the effects of US-imposed sanctions. This contraction of over two-thirds of its production was both unplanned and undesired, and it has contributed to an unfortunate increase in environmentally disastrous activities such as illegal gold mining, deforestation, and oil spills. A strategy of revamping oil production needs to follow a serious discussion over a long-term development plan that includes climate change provisions and enforcing mining bans in protected areas and strict mining regulation in others, as well as satisfying local energy demands to avoid further deforestation and environmental degradation. In short, any negotiation needs to consider the needs of Venezuelan people as much as the needs of oil supply elsewhere.

The disastrous invasion of Ukraine by Russia will likely have lingering effects for the global economy and the international order. Unleashing a scramble for traditional energy sources risks locking-in oil dependence. This is a time to do precisely the contrary, to plan for ways to wean the global economy from oil. With different regions favouring different strategies, it is crucial to encourage serious global cooperation in the fight for reduced carbon emissions. Wealthier nations must commit to policies of fair transitions that can alleviate the mitigation and adaptation costs of developing countries, while prioritizing democracy and justice. Instead of quickly offering to pump more crude to supply markets, wealthier jurisdictions must come up with strategies alleviate the short-term costs of sanctions without falling for the interests of hydrocarbon lobbies.

Increased dependence on hydrocarbons will likely deepen dynamics that relegate developing countries as providers of energy commodities and as late adapters to changes in the global economy. Widening global inequalities can have increasing environmental and social costs and devastating climate consequences, including unforeseen migration waves and, indeed, new sources of conflict.

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