Reconnoitre Energies

ENERGY MATTERS

Energy matters – Wanna be elected?

By Chris Sladen

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The track 'Elected' by Alice Cooper in 1972 is what cemented my early passion for rock music and geopolitics. Later on, Mr. Bean re-recorded the track under the title 'I want to be elected' in the run-up to the 1992 UK general election; it raised vast sums for Comic Relief. Sadly, neither Alice Cooper nor Mr. Bean made it into Government, but I have been hooked on elections ever since; they are what glues together the world of geopolitics with the world of energy.

2024 is the Year of Elections. It includes the world's biggest-ever elections, with 7 of the 10 most populated countries voting. The concurrence of elections and political cycles creates a compound voting event never seen before. There are literally hundreds of elections – Presidents, Prime Ministers, Governors, senate, congress, members of parliament, state, mayoral, municipal & local. More than 50% of the world's eligible voters, some 2 billion people spread across 60 countries, have the opportunity to change the world's approach to energy.

Here then are some of the most important elections in 2024, from the largest to the smallest, and their potential ramifications for energy:

USA

With more than 160 million registered voters, the Presidential election on November 5th will likely feature a rematch between President Joe Biden (Democrat) and former President Donald Trump (Republican), each seeking a 2nd term. The possibility that prominent environmental lawyer Robert F. Kennedy and Jill Stein for the Green Party may also run shows how important energy & the environment are becoming. As usual, the election will likely be determined by just a handful of 'swing States'. If Biden wins, he can be expected to further push renewables, target reductions in greenhouse emissions and restrict fossil fuels licensing. Trump, who has to overcome legal issues before running, can be expected to reinvigorate offshore oil & gas licence rounds, rollback regulations and cut red tape to speed up projects & job creation. As always, the results of Senate and Congress races will be crucial for policy implementation. Under Biden, the USA is now the world's largest oil producer at over 20 million barrels per day (mm b/d), and the world's largest natural gas producer at over 90 billion cubic feet per day (bcf/d). Although there is growing concern that shale resources might become exhausted, shale production is now a cash machine that is unlikely to be switched off. Self-sufficiency in energy at affordable prices powering the world's largest economy is at the very heart of the US economic vision; it seems unlikely that whoever wins will radically change the energy sector and the US will remain addicted to oil, albeit with EVs and renewable power expanding rapidly.

Mexico

The 6-year term of President Andrés Manuel López Obrador (AMLO) is coming to an end with the election in June, which has over 95 million potential voters. All 128 Senate seats and 500 seats in the Chamber of Deputies are also up for grabs in the world's 12th largest economy. The two leading presidential candidates are female; the election will surely deliver Mexico's first-ever woman president. The ruling Morena coalition candidate, Claudia Sheinbaum, has significant experience in renewables, but the risk is that AMLO will wish to continue driving his energy policies but from the back seat. Her coalition opponent Xóchitl Gálvez is advocating a return to pre-AMLO open energy policies and E&P bid rounds. Energy will no doubt feature in campaigns; ten years ago, Mexico was the leading producer of both oil and natural gas in the Latin America & Caribbean region; today this is Brazil (oil) and Argentina (gas). Oil and gas production have both fallen ~20% over the last decade, and natural gas imports from the US have skyrocketed to 5–7 bcf/d. By 2022, Mexico had become by far the largest natural gas importer in the region, and globally it is now the country with the second largest natural gas imports by pipeline! But security, health, education, and corruption are more pressing election issues. Whoever wins, it will be the optimum moment for a change of course on energy, perhaps greater private investment, end gas flaring (~0.6 bcf/d), commitment to global climate targets, decarbonisation and ESG at the State owned enterprises, fast-tracking clean energy grid connections, and removing the huge backlog of private downstream permit applications. The new government will need to move quickly to secure more investment in natural gas, both to access more imports and build out gas infrastructure to supply the fast growing manufacturing industries benefitting from US nearshoring.

Venezuela

The Presidential election due in the second half of 2024 has over 21 million registered voters. There are many candidates, but popular opponents of current President Nicolás Maduro have already been disqualified. The recent warming of relations between the US and Venezuela has led to the restart of some foreign petroleum operations, an important boost to the economy. However, this has been overshadowed by a recent referendum in which Venezuelans overwhelmingly voted to reclaim a two-thirds portion of neighbouring Guyana known as Essequibo. Covering ~166,000 km², the area is rich in bauxite, gold, and diamonds with large offshore oil resources. A military conflict in Essequibo would be devastating for the hemisphere, potentially drawing in USA, Russia, China, Cuba, and the UK. Reasserting Venezuela's claim is more so a popularist move by Maduro, shifting voters' attentions away from decades of economic hardship, isolation, and unfair elections. Re-election of Maduro seems likely; however, if opposition groups could coalesce behind a single candidate an upset is possible. The underlying issue remains – can Venezuela take full advantage of having the world's largest hydrocarbon reserves to deliver wealth, health, education, quality jobs and affordable energy for all its people?

India

The world's most populous nation has over 945 million voters for the election expected in Q2. Prime Minister Narendra Modi is trying to secure a 3rd term in a country increasingly seen as an investment alternative as China fades. India is the world's 5th largest economy and on track to be 3rd largest by 2030. Energy use per capita is currently under half the global average but power demand is doubling every 10 years, largely due to industrialisation and urbanisation. One of the biggest challenges is how to deliver secure, affordable, reliable supplies of clean power for a fast growing economy with the world's largest population, heavily reliant on coal and biomass. There is enormous pressure to reduce methane & CO_2 emissions, limit particulates to improve air quality, introduce better waste management and clean up pollution.

Russia

The Presidential election in March, and State elections, will likely be seen as a test of support for current President Vladimir Putin's approach to the USA, Europe, NATO, and Ukraine. There are over 105 million registered voters, with the presidential term now extended from 4 to 6 years. A win for Putin would see him rival Stalin as Russia's longest serving leader. Various challengers have been either jailed or banned. Since invading Ukraine, Russia has turned towards Indian and Chinese oil & gas markets. Over 90% of Russia's crude exports now go to China and India. Any large scale resumption of gas supplies to Europe or lifting of the US$60 per barrel price cap on oil sales set by the G7 appears very unlikely, unless voters deliver a shock outcome that ousts Putin.

Europe & UK

Elections for the European Parliament take place in June. There are over 400 million potential voters spread across 27 countries electing 720 members. It is the largest democratic election involving multiple countries and the first since the UK left the EU. Through 2024 there are also many other important elections – sometimes presidential, regional, or local elections in individual European countries – Germany, Poland, Turkey, and Finland, to name a few. Europe is a leader in the energy transition, policy, and regulation – adding heat pumps, wind, solar, hydrogen, CCUS, biofuels, SAF, EVs, insulation of buildings, efficiency, building geothermal and nuclear, phasing out coal. Elections will be closely watched for any change in commitment or pace of the European energy transition, as well as any relaxation of restrictions on importing Russian energy.

The UK, with around 48 million voters, is also due to have a general election for all 650 seats for MPs in the House of Commons. This is most likely in late 2024, though technically as late as January 2025. Energy is an election topic due to very high electricity and natural gas prices having contributed to both a cost of living crisis and weak growth in the world's 6th largest economy. Around 50% of the public no longer trust energy companies. Also, climate change impacts are now much better understood by voters. Exploitation of the remaining North Sea offshore oil & gas resources is a hot topic. Activist groups against fossil fuels are bound to have an even higher profile once campaigning gets underway. The opposition Labour Party are proposing a $35 billion 'green eco-splurge' whereas the governing Conservative Party prefer more measured spend that the tax paying public can afford. Both parties support continuing windfall taxes on energy company profits.

Indonesia

The elections in February include President, Vice-President and all 580 members of the People's Consultative Assembly. Results will be keenly watched; with ~205 million registered voters, Indonesia is the world's 3rd largest democracy and has the world's largest Muslim population. Elections have complex candidate qualification procedures, including a gender quota. Minimum voting age varies with marital status whilst the armed forces and police cannot vote. Incumbent President Joko Widodo is unable to run for a 3rd term due to term limits; a new era of Indonesian politics is beginning. As the largest economy in SE Asia with a young and growing population, stability in energy is crucial. Indonesia's days as a key player in OPEC date back to the early 1960s, however its period of peak production through the '70s, '80s and '90s is long past. Oil reserves have been in steady decline since the late 1970s and as exports fell, they suspended their OPEC membership some years ago. Today, Indonesia produces just 0.6 mm b/d and is a significant oil importer of over 1 mm b/d. The country has become much more focussed on natural gas production. Although gas production has dropped steadily over the last decade, Indonesia remains a key LNG supplier with ~1.5 bcf/d exported into nearby Asian economies and Mexico. Recent major gas discoveries offshore northwest Sumatra in the South Andaman Sea have come at just the right time. There is also enormous renewable potential throughout Indonesia, notably geothermal (>30 GW, part of the Pacific 'Ring of Fire'), hydro, and solar. Whoever leads Indonesia into a new era will have to stimulate and ensure sufficient public and private investment in the energy sector to meet domestic needs whilst continuing to generate important export revenues.

Namibia

Both the Presidential election and the election of 96 members of the National Assembly expected in November is particularly significant. SWAPO have dominated past elections whilst many parties formed of single ethnic groups have no elected representatives. But President Hage Geingob's 2nd term is ending, and SWAPO's popularity is fading. Namibia's next President will likely need to make more deals and trade-offs than in recent years. Namibia is now sitting on supergiant offshore deepwater oil discoveries, as proven by Shell and Total in 2022 & 2023. Galp and Chevron are due to join the drilling frenzy in 2024. The way these supergiant fields are used is in sharp focus, with first production around 2030. With a total population of just 2.6 million, and 1.7 million voters, Namibia has established enormous per capita wealth potential just as the world appears to be turning away from oil. Namibia is also a source of diamonds by ocean floor mining; this has been a mainstay of export income for decades. The industry is now under pressure from fast growing production of synthetic diamonds elsewhere. The new government will have many challenges related to resource extraction, wealth creation, seafloor mining, the oil curse, and potential future OPEC membership.

In summary, the outcome of elections in 2024 could shape a new world order, bringing new directions for the energy sector and new approaches to how supply and demand are met. A year of geopolitical uncertainty for energy lies ahead. As ever, election results will be impacted by voter turnout and the fairness of the election process; let's hope for clear winners without a need for courts to get involved. With so many newly elected officials, the real world challenges of manifestos which sounded great at the time but are hard or even impossible to deliver, will be a painful awakening.

I wish all my readers the very best for 2024. Given the alignment of dozens of elections, the world of energy is about to get even more interesting!

About the Author

Chris writes an occasional series of topical articles on energy for ANZMEX. Between 2019 and 2024 he authored a series of 50 widely read ANZMEX 'Energy Matters' op-eds that tackled big energy issues using real-life personal experiences, and extensive research. Chris runs an award-winning advisory service, Reconnoitre Energies, offering insights to inform, shape a decision, policy & regulation, and guide the next steps for energy ventures; he is also a non-resident fellow at the Institute of Americas. Chris has worked in over 40 countries and published extensively over five decades.

Chris has an energy career of over 40 years, living in Mexico (2001–2018), Russia, Vietnam, Mongolia, China & UK. His contributions to the energy and education sectors have been recognised by the UK Government with both an MBE and CBE, and also the Aztec Eagle from the Mexican Government — the first foreigner in the energy sector to achieve this award. Chris' articles for ANZMEX reflect his experience and enthusiasm and are often also later published to a global audience in the USA, UK and Singapore. They are not paid for in any way.

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