

Russia, Ukraine, and U.S. Energy Markets

Summary of Panel Discussion - April 2022

On April 1, 2022, OurEnergyPolicy, a non-partisan organization, hosted a webinar on the energy market impacts triggered by Russia's invasion of Ukraine. This paper briefly summarizes the key points made by the panelists. Find the recording [here](#).

PANELISTS



Edward L. Morse

Managing Director, Global
Head of Commodity Research
Citigroup
Moderator



Dean Foreman

Chief Economist
American Petroleum
Institute



Yossie Hollander

Co-Founder & Chairman
Fuel Freedom Foundation



Brenda Shaffer

Senior Advisor for Energy
Foundation for Defense of
Democracies

Issue Scope

- Russia's invasion of Ukraine has heavily impacted energy markets and raised questions about the role of fossil fuels and renewables, energy security, and energy independence.
- Experts discussed the impact of President Biden's recent announcement that the U.S. would release one million barrels of oil a day from the Strategic Petroleum Reserve over the next six months, the largest and longest release in the SPR's history.
 - This could represent a 30% drawdown in reserves.

State of the Markets

- Other oil producers like Saudi Arabia and the United Arab Emirates have the ability to quickly increase production, but are reluctant to do so until the U.S. addresses their energy security concerns regarding the Houthi-Saudi conflict and the role of Iran in the region.
- At the beginning of 2022, oil and gas markets were tight due to the drop in U.S. production stemming from COVID-19 and a lack of drilling.
- Natural gas prices spiked in the winter before Russia's invasion, resulting in consumers fuel switching to cheaper alternatives such as diesel.
- Globally, there are few readily available affordable and reliable alternatives.

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Challenges Articulated by Panelists

- The Administration has tools to address reliability and redundancy concerns in the global fuel mix.
 - Important to have market signals regarding resources, leasing, and fuel optionality.
 - Increase access to financing and enhance liquidity in the markets.
 - Support and expand the development of LNG export infrastructure.
 - Reassure markets by communicating consistent and clear policies. Let the market take its course, do not pick winners and losers.
- Energy crisis stemming from Russia's invasion
 - Europe was already facing an electricity and natural gas crisis prior to the invasion of Ukraine.
 - The transition to cleaner and renewable energy sources has potentially harmed national security by jeopardizing reliability and energy independence for the U.S. and other countries.
 - Energy policy is increasingly seen as a subset of climate policy, instead of national security.

Key Insights

- The crisis can place the U.S. in an advantageous place due to its natural gas reserves.
 - LNG can be exported to support the global economy.
 - Support is needed to expand upon the U.S.'s export infrastructure and capability.
 - Fuel exports can be easily exported to support the global economy.
- Does the U.S. double down on fossil fuels or accelerate to clean energy?
 - Important to remove the binary view of fossil fuels versus renewable energy.
 - The current generation of renewables must be supported by fossil fuel baseloads.
 - Natural gas should be treated differently than oil and coal due to being a cleaner fuel.
 - Global energy systems and markets are extensively interconnected and interdependent. Policy creation must be conducted pragmatically and take global markets and activities into account.
- Energy security is national security.
 - There have been successful energy collaboration efforts between North America and Europe in the past that have increased energy and national security.
 - Policy cannot be compartmentalized.
 - Cannot neglect the concerns of oil producer nations like the UAE and Saudi Arabia.
- Energy policy must be holistic and include security, pricing, and climate in its goals.
 - An environment of open debate needs to exist to facilitate constructive dialogue.
 - The U.S. must not be reliant on oil and gas, but also not reliant on other countries to supply components specific to clean energy technologies.