

Organization of the Petroleum Exporting Countries (OPEC) Background Guide

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Energy Supply Around Conflict Zones

**Cleveland Council on
WORLD AFFAIRS**



Organization of the Petroleum Exporting Countries Background Guide

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The Organization of the Petroleum Exporting Countries (OPEC) is a bloc of 13 oil-rich countries located in the Middle East, Africa, and South America. Together, they control approximately 40% of the world's oil production.¹ Because of this, the bloc is often compared to cartels, as they coordinate production levels and therefore can manipulate global oil prices. A cartel is defined as a group of suppliers that maintains high prices and restricts competition. However, OPEC rejects the title of cartel and prefers to consider their coordinated operations as a market stabilizer with modest influence. OPEC was founded in 1960 by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela out of a desire to respond to continuing Western imperialist influence over the oil industry and oil producers within their states. The bloc rose to global prominence in 1973 after placing an oil embargo on the United States and other Western nations who supported Israel during the 1973 Arab–Israeli War. This embargo sent Western countries into an economic recession and raised oil profits for OPEC members by 600%. This established OPEC's reputation for being able to cause economic pain in the West, which has given the bloc considerable diplomatic power on the international stage. Even though this economic power has diminished due to increases in American oil production, OPEC still benefits from its reputation.

I. Pathways to Just Energy Transitions

Statement of Issue:

The energy sector, which is largely reliant on fossil fuels, accounts for the majority of greenhouse gas emissions, which are the leading driver of human-caused climate change. “Fossil fuels” refer to energy sources which formed naturally and are found in the Earth's crust, such as oil, natural gas, and coal.² Climate change leads to more frequent and more severe weather events, which in turn exacerbate numerous global issues. Food and water security become endangered, populations are displaced, and lives, jobs, and income are lost. As a result, the global consensus is that an energy transition is necessary. An energy transition is defined as the movement towards greater use of low-carbon and renewable energy

¹ Anshu Siripurapu and Andrew Chatzky, “OPEC in a Changing World,” *Council on Foreign Relations*, last modified March 9, 2022, <https://www.cfr.org/background/opec-changing-world>.

² Talat Genc and Stephen Kosempel, “Energy Transition and the Economy: A Review Article,” *Energies* 16, no. 7 (April 2023), <https://doi.org/10.3390/en16072965>.

sources and away from fossil fuel-based systems. Renewable energy resources are generated from natural sources, such as solar, water, and wind.

While the environmental benefits of an energy transition are indisputable, there will be winners and losers. Most notably, fossil fuel exporters, like the members of OPEC, will suffer the consequences of the shift. This is because many of these countries have fallen victim to the “resource curse,” an economic theory that dependence on a certain natural resource actually reduces economic development in the long run.³ Additionally, many OPEC members lack a diversified economy, meaning that oil exports are their only source of income. As the world shifts towards renewable energy sources, the global demand for oil will peak within the next few years.⁴ Therefore, oil exports will begin to decrease, greatly reducing key government revenues for OPEC members and diminishing the bloc’s diplomatic power. The world has already begun embarking on this energy transition, and OPEC members must decide how they are going to ensure their economic and political survival as it progresses.

There are many other motivations for resource-rich countries, like OPEC members, to work towards energy transitions. Firstly, renewable sources can be a method to address growing domestic demand for electricity while preserving oil and gas resources for export.⁵ Additionally, renewable energy sources can reduce the need for grid capacity enhancements and peaking plants, which are special electrical plants that only operate when peak electricity amounts are required. For example, for this source in particular, solar energy is useful because it generates the most energy when the sun is out, which is also when air conditioning demand peaks. Furthermore, investments in renewable energy help diversify the economy and create high-paying jobs. Economic diversification is particularly important among OPEC members, whose economies tend to be heavily reliant on the oil and gas sector.

Energy transitions naturally have some negative side effects that governments and international organizations must plan for. Firstly, the transition will likely only occur at all if renewable energy sources price points are competitive with fossil fuels.⁶ Without other forms of intervention, there would be no economic incentive for countries or businesses to switch. There is also a cost associated with the

³ Tamara Krawchenko and Megan Gordon, “Just Transitions for Oil and Gas Regions and the Role of Regional Development Policies,” *Energies* 15, no. 3 (July 2022): 1, <https://doi.org/10.3390/en15134834>.

⁴ Mohsen Salimi and Majid Amidpour, “Impact of Energy Transition on Geopolitical Importance of Oil Exporting Countries,” *World* 3, no. 33 (2022): 608, <https://doi.org/10.3390/world3030033>.

⁵ Joel Krupa, Rahmatallah Poudineh, and L.D. Harvey, “Renewable electricity finance in the resource-rich countries of the Middle East and North Africa: A case study on the Gulf Cooperation Council,” *Energy* 166 (January 2019): 1048, <https://doi.org/10.1016/j.energy.2018.10.106>.

⁶ Mohsen Salimi and Majid Amidpour, “Impact of Energy Transition on Geopolitical Importance of Oil Exporting Countries,” *World* 3, no. 33 (2022): 611, <https://doi.org/10.3390/world3030033>.

disruption in the labor force.⁷ While jobs will be created in the renewable energy sector, jobs will also be lost in the fossil fuel energy sector. Governments must create support systems for those who have lost their jobs in the short term, but also enact policies that assist those workers in transitioning into new sectors of employment.

Despite movement towards cleaner sources of energy, oil resources will still have a large role to play in the global energy supply for decades to come. Renewable alternatives take a long time to be developed and integrated into existing electrical grid systems.⁸ In the meantime, it will be necessary for oil resources to fill the gaps as the transition occurs. Additionally, oil will still be needed for energy in developing nations that lack the technological and financial capacities to implement certain types of renewable energy.⁹ In particular, China and India are experiencing massive economic growth, which is driving demand for energy sources up. Those two nations will be looking to meet this demand with energy sources that are easily integrated in a short period of time: fossil fuels. As such, it is important to pace transitions appropriately and ensure that it is moving fast enough to mitigate climate change but slow enough to allow renewable energy technology to sufficiently develop.

History:

Since the late 20th century, the international community has passed several agreements to mitigate climate change. Many of them focus on reducing greenhouse gas emissions, which is often achieved by reducing energy dependence on oil and increasing the use of renewable energy sources. The first major climate agreement was the 1987 Montreal Protocol.¹⁰ While not focused on preventing climate change, the Montreal Protocol was ratified by every country and required all countries to stop the production of substances that damaged the ozone layer. In 1992, the United Nations Framework Convention on Climate Change (UNFCCC) was the first global treaty to explicitly address climate change. This agreement established the annual Conference of Parties, more commonly known as COP. Many of the later climate agreements were negotiated and agreed to at annual COP meetings.

In the 21st century, climate agreements have attempted to establish more concrete parameters to mitigate climate change. The 2005 Kyoto Protocol was the first legally binding climate treaty, which

⁷ Jan Baran, Aleksander Szpor, Jan Witajewski-Baltvilks, “Low-carbon Transition in a Coal-Producing Country: A Labour Market Perspective,” *Energy Policy* 147 (December 2020), <https://doi.org/10.1016/j.enpol.2020.111878>.

⁸ Mohsen Salimi and Majid Amidpour, “Impact of Energy Transition on Geopolitical Importance of Oil Exporting Countries,” *World* 3, no. 33 (2022): 613, <https://doi.org/10.3390/world3030033>.

⁹ *Ibid.*, 610.

¹⁰ Lindsay Maizland, “Global Climate Agreements: Successes and Failures,” *Council on Foreign Relations*, last modified November 4, 2022, <https://www.cfr.org/backgrounder/paris-global-climate-change-agreements>.

required developed countries to reduce emissions.¹¹ The Protocol also established a system to monitor emissions. In 2015, the landmark Paris Agreement was adopted. This agreement required all countries to set emissions-reduction targets and aims to reach net-zero carbon emissions by the year 2050. However, the agreement lacks enforcement mechanisms. Even if the targets were met, experts say that the Paris Agreement would be unable to stop the planet from warming past 1.5 degrees Celsius, the stated goal.

While many countries want to eventually move past fossil fuels completely, OPEC is a staunch advocate for a continuing role for fossil fuels in the global energy supply. Representatives of OPEC nations argue that tactics like carbon capture and storage, in which emissions are captured and stored underground, can allow the world to continue burning fossil fuels while also mitigating climate change.¹² However, climate activists have said that this technology is untested on a large scale and very expensive to implement. OPEC continues to advocate for fossil fuel use because their members' economies are dependent on it. However, it is inevitable that oil demand will decrease in the next decades. OPEC has an incentive to ensure that its members can survive the change and continue to carve out a market for oil as the transition occurs.

Limitations on fossil fuel use in international agreements are very controversial. Historically, developed nations were able to use fossil fuels to grow their economies without restrictions because climate change had not emerged as a major issue yet.¹³ Now, developing countries want to do the same to grow their economies, but because of the issue of climate change, they will be forced to turn to renewable sources, which require more advanced technology, are more expensive, and are more difficult to implement. Therefore, developing nations are likely to turn to OPEC to use fossil fuel and oil energy sources to drive their development and economic growth.

Analysis:

Just transitions are particularly important in oil-rich nations because of the lack of economic diversification. Energy transitions in oil-producing nations could include a number of elements, which are not mutually exclusive.¹⁴ Firstly, the transition could include a gradual phasing out of fossil fuel-related

¹¹ Ibid.

¹² Shadia Nasralla, "OPEC makes the case for fossil fuels at UN climate conference," *Reuters*, November 10, 2021, <https://www.reuters.com/business/cop/saudi-minister-says-climate-fight-shouldnt-shun-any-particular-energy-source-2021-11-10/>.

¹³ Lindsay Maizland, "Global Climate Agreements: Successes and Failures," *Council on Foreign Relations*, last modified November 4, 2022, <https://www.cfr.org/backgrounder/paris-global-climate-change-agreements>.

¹⁴ Tamara Krawchenko and Megan Gordon, "Just Transitions for Oil and Gas Regions and the Role of Regional Development Policies," *Energies* 15, no. 3 (July 2022), <https://doi.org/10.3390/en15134834>.

industries alongside the implementation of carbon capture and storage technology. Another approach could entail transitioning the fossil fuel energy sector into new, lower-carbon energy sectors, such as wind or solar power. Finally, the nation could seek to promote a wholesale transition from one industry to another, diversifying the economy. All three of these approaches are necessary, at least in part, for a successful energy transition in oil-producing nations.

The question of labor disruption must also be planned for during energy transitions. There are numerous reasons why the labor force may be under-utilized, resulting in unemployment of workers from the fossil fuel energy sector. Firstly, there may be an imperfect adjustment of wages, meaning that workers may be forced to take a pay cut.¹⁵ Therefore, workers will not be incentivized to change industries. There may also be a fixed demand for labor in other industries due to the limitations of their technologies for a short period of time. Finally, there may be a skill mismatch between labor in falling and growing sectors. In other words, fossil fuel energy sector employees may not have the skills or training that they need to be employed in other sectors. In many cases, governments have stepped in to mitigate this with retraining or re-education programs, which have a mixed record of success.

There are three approaches to just transitions, which overlap and are not mutually exclusive. The first is a job-focused approach, which advocates for workers.¹⁶ Proponents of this approach believe that the state has a responsibility to workers who are impacted by environmental regulations or energy transitions. They seek to include workers in discussions about industrial transition and implement policies like temporary income support and retraining or re-education programs. A second approach is environment-focused, which emphasizes using “green” solutions to enable a shift to a low or net zero carbon economy. This approach may ally with workers in fossil fuel-dependent areas to overcome resistance to action on climate change. In order to do this, there must be dialogue between workers, governments, and international organizations on environmental issues. The final approach is society-focused which advocates for system transformation and universal equity. Proponents of this approach attempt to include marginalized voices in discussions about industry transition and provide additional opportunities for groups that face unusually high barriers to employment.

When implementing a just transition, there are number of considerations, including governance, climate solutions, workforce development, economic development, regional development, and social security. Within governance, there must be collaboration throughout different levels of government that

¹⁵ Jan Baran, Aleksander Szpor, Jan Witajewski-Baltvilks, “Low-carbon Transition in a Coal-Producing Country: A Labour Market Perspective,” *Energy Policy* 147 (December 2020): 2, <https://doi.org/10.1016/j.enpol.2020.111878>.

¹⁶ *Ibid*, 4.

also includes important stakeholders.¹⁷ In addition to considering private interests, it may also be important to include public engagement within governance structures.

It is also vital to demonstrate legitimate commitment to mitigating climate change to maintain international support. The International Energy Agency (IEA) acknowledges that there is a place for oil and gas in the energy market moving forward.¹⁸ While it urges OPEC members and oil companies to invest in more low-carbon businesses, there are a number of immediate actions in the oil and gas industry that can be taken to reduce greenhouse gas emissions. In fact, the IEA states that reducing methane leaks to the atmosphere during the oil extraction and transport process is the single most important and cost-effective way to reduce emissions in the oil industry. Additionally, new regulations to minimize flaring of CO₂ venting and creating partnerships for large-scale investing in carbon capture and storage could be beneficial to reduce emissions and shore up the international standing of OPEC.

Conclusion:

Due to the indisputable links between oil resources, greenhouse gas emissions, and climate change, a global energy transition away from fossil fuels is necessary. This transition will greatly diminish the economic, diplomatic, and political power of OPEC and its members. As a result, OPEC must find a way to navigate this transition that preserves as much of their global influence as possible and maintains the strength of their members' economies. While oil resources will be needed to supplement global energy supplies, particularly in developing countries, as the transition occurs, oil revenues will decline for the foreseeable future. In this environment, OPEC must find a way to maintain its influence on the international stage.

Questions:

1. Should OPEC members continue to push the international community to allow fossil fuel use in the face of climate change? If yes, how can it do so? Consider OPEC members' economic reliance on oil and the need of developing nations for cheap energy sources to fuel their development and economic growth.

¹⁷ Ibid, 5.

¹⁸ "The Oil and Gas Industry in Energy Transitions," *International Energy Agency*, last modified January 2020, <https://www.iea.org/reports/the-oil-and-gas-industry-in-energy-transitions>.

2. Historically, OPEC's geopolitical importance and influence has come from Western reliance on fossil fuels for energy. As this reliance diminishes, how can OPEC retain its global influence?
3. To what extent should OPEC members engage in energy transitions and/or economic diversification domestically? How can OPEC assist members in these transitions and ensure that they are just?

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II. Eradicating Energy Poverty and Addressing Energy Supply Around Conflict Zones

Statement of Issue:

Energy poverty is a widespread phenomenon in Asia and sub-Saharan Africa, which hinders states' abilities to develop their economies and improve quality of life of their citizens. 750 million people globally lack access to electricity and an additional 2.6 billion people do not have safe cooking and heating fuels.¹⁹ In sub-Saharan Africa, 47 percent of people lack electricity access and 85 percent do not have access to safe cooking and heating energy sources. High energy consumption is linked to a higher level of human development, a longer life expectancy, and a more robust economy.²⁰ Lack of access to clean energy sources for activities in the household expose residents, especially women, the elderly, and children, to various health risks. Additionally, those who do not have access to safe cooking and heating fuels typically use biomass fuels, meaning wood, animal waste, or other similar sources. The use of biomass energy sources, however, increases deforestation, desertification, and land-degradation.²¹ Therefore, it is imperative that developing nations increase access to electricity and reduce energy poverty.

The concept of energy poverty, while critical to development, lacks a concrete and consistent definition. If OPEC is to act and measure progress on decreasing energy poverty, it must first develop a consistent definition of energy poverty. All definitions are based on the idea that people who do not have enough electrical consumption to meet their basic needs are experiencing energy poverty.²² However, the actual methods of measuring this are disputed. Some methods focus on whether or not a household can afford heating in the winter or basic electrical needs such as lighting or cooking.²³ Others set a threshold percentage of income that is spent on energy. For example, the United Kingdom defines energy poverty as households spending more than 10 percent of their income on energy. One of the best definitions states that energy poverty is the absence of choice to access adequate, affordable, reliable, high-quality, safe, and environmentally friendly energy to support economic and human development.²⁴ A key element of this definition is the focus on choice. In the event that there is no choice, this is considered to be energy poverty and can have drastically negative effects on both basic necessities related to energy and other

¹⁹ "Keynote address by OPEC Secretary General," OPEC, last modified July 5, 2022, https://www.opec.org/opec_web/en/6951.htm.

²⁰ Mikael Gonzalez-Eguino, "Energy Poverty: An Overview," *Renewable and Sustainable Energy Reviews* 47 (July 2015): 380.

²¹ *Ibid*, 383.

²² *Ibid*, 379.

²³ Fuad Alhaj Omar, Ibrahim Mahmoud, Karla Cedano, "Energy Poverty in the Face of Armed Conflict: The Challenge of Appropriate Assessment in Wartime Syria," *Energy Research & Social Science* 95 (January 2023): 2.

²⁴ Mikael Gonzalez-Eguino, "Energy Poverty: An Overview," *Renewable and Sustainable Energy Reviews* 47 (July 2015): 379.

areas of development, such as access to education, healthcare, information, and political participation, that are reliant on energy.

There are three thresholds that are widely used to measure energy poverty: technological, physical, and economic. The technological threshold posits that energy poverty is a problem with accessing modern energy services.²⁵ This method is limited, however, by the fact that it does not measure energy consumption levels. The physical threshold estimates the minimum energy consumption required for basic necessities and defines energy poverty in this way. However, this method is subjective due to its reliance on another definition, of “basic necessities.” Finally, the economic threshold establishes a maximum percentage of income that it is reasonable to spend on energy. Anyone who spends above this percentage is experiencing energy poverty.

Armed conflict can have serious negative consequences for a country’s energy supply and can send citizens into energy poverty. Prior to its civil war beginning in 2011, Syria was one of the Middle East’s major power producers.²⁶ However, significant portions of its electrical grid and production infrastructure were destroyed during the conflict. This reduced the available energy supply in the country and, as a result, electrical prices doubled.²⁷ During the same period, the average Syrian household’s income decreased tenfold. Accordingly, many Syrians faced the prospect of energy poverty and were forced to adjust their energy usage practices. The lessons of energy poverty in the Syrian Civil War are applicable to similar situations across the world. When conflicts break out, citizens face higher hurdles to energy access, which causes the price to go up. As a result, citizens begin to experience energy poverty and must choose what to use their limited electricity for.

Energy access issues around armed conflict can also have global implications. Russia is one of the top oil producing nations in the world. When Russia invaded Ukraine in February of 2022, many governments placed sanctions on Russia and stopped importing its oil supplies.²⁸ This caused a historic strain on the oil and gas market, which was already struggling to keep up with rebounding demand after the COVID-19 pandemic. As a result, oil and gas prices shot up, triggering extremely high inflation and, in some countries, a cost-of-living crisis. South Africa experienced its worst power cuts in history and Sri Lanka ran out of fuel, unable to pay due to its lack of foreign currency reserves. European governments threw climate change targets out the window to find any way that they could to ensure their citizens

²⁵ Ibid, 380.

²⁶ Fuad Alhaj Omar, Ibrahim Mahmoud, Karla Cedano, “Energy Poverty in the Face of Armed Conflict: The Challenge of Appropriate Assessment in Wartime Syria,” *Energy Research & Social Science* 95 (January 2023): 1.

²⁷ Ibid, 6.

²⁸ David Gaffen, “How the Russia-Ukraine war accelerated a global energy crisis,” *Reuters*, December 15, 2022, <https://www.reuters.com/business/energy/year-russia-turbocharged-global-energy-crisis-2022-12-13/>.

would have the energy necessary to survive the next winter. In certain instances, armed conflicts can have profound effects on the global energy supply, putting billions of lives at risk and endangering the climate.

History:

Renewable energy sources, such as wind, solar, and water, have been used for centuries by humans. In particular, wind sources were used to sail ships and rivers to power mills.²⁹ However, it was not until the 1800s that these energy sources were first used to generate electricity. In 1882, the United States first hydroelectric power plant started generating electricity along a river in Wisconsin. This was followed in 1888 by the first windmill to generate electricity from wind in Ohio. One of the most well-known renewable energy plants is the Hoover Dam, which was completed in 1935. Nearly one-third of energy in the United States was generated by hydroelectric power plants in 1949, but this percentage decreased over the next few decades. The first major solar power plant in the United States to use power-tower systems, which concentrate sunlight through mirrors to generate electricity, became operational in 1982. Since then, renewable energy sources have continued to advance technologically, and more and more projects have been completed. However, non-renewable sources like gas and oil continue to be a vital part of the global energy market, particularly in the developing world.

Oil-producing nations, like the members of OPEC, have been encouraged to diversify their energy economies. The International Monetary Fund (IMF) defines diversification as the shift to a more varied production structure, meaning the incorporation of various different industries into the economy.³⁰ This is encouraged for two reasons. Firstly, due to the scientific linkages between the oil industry, greenhouse gas emissions, and climate change, many nations are pushing for oil-producing nations to shift their economies to other, greener sectors to help mitigate climate change. Secondly, oil-producing nations are extremely vulnerable to global oil prices. Since their economies are extremely specialized around oil extraction and export, when global oil prices fall, it causes major economic pain in these countries. There are numerous benefits to economic diversification, including the creation of more high-paying jobs, promoting new business enterprises, and attracting foreign investment.³¹ As the energy

²⁹ Bart Ziegler, "Going Green: A Brief History Of Renewable Energy," *Wall Street Journal*, April 25, 2022, <https://www.wsj.com/story/the-roots-of-renewable-energy-7993f651>.

³⁰ Michael Ross, "What Do We Know About Economic Diversification in Oil-Producing Countries?" *eScholarship* (2017).

³¹ Joel Krupa, Rahmatallah Poudineh, and L.D. Harvey, "Renewable electricity finance in the resource-rich countries of the Middle East and North Africa: A case study on the Gulf Cooperation Council," *Energy* 166 (January 2019): 1048, <https://doi.org/10.1016/j.energy.2018.10.106>.

market moves away from oil due to climate change, the volatility, or tendency to change unpredictably, of oil prices will increase. If OPEC economies do not diversify, they will remain vulnerable to this risk.

An example of a diversification program within OPEC is Saudi Arabia's National Transformation Plan (NTP). The NTP sought to enhance government operations and create more infrastructure to diversify the economy. It improved digital infrastructure by increasing internet speeds and access to fiber-optic networks and also brought more women into the workforce, up to 31.8 percent in 2020.³² The program also facilitated Saudi Arabia's rise of 29 ranks in the World Bank's Ease of Doing Business Index that same year. The country also took the lead globally in production of desalinated water. In terms of enhancing government operations to support businesses, the NTP increased transparency and anti-corruption efforts and made it easier to start businesses. As the NTP moves into its second phase, it aims to continue developing infrastructure and access to sustainable resources, support digital transformation, and increase the attractiveness of the labor market.³³ All of this work is being followed up on an even grander scale across multiple different sectors as a part of the Vision 2030 plan.

Analysis:

In order to eradicate energy poverty, OPEC must adopt a concrete and consistent definition of the term. This will be essential for the organization to monitor progress towards this goal. Any definition must reflect the fact that broadly, energy poverty is when a household cannot afford to meet its energy needs and does not have a choice to access adequate energy.³⁴ Additionally, it will be critical to provide access to reliable energy supplies to eliminate energy poverty. While this will often entail a transition away from biomass fuels towards "modern" fuel sources, it is important to recognize that the rhetoric behind this transition perpetuates ideas of Western superiority over the Global South.³⁵ As OPEC nations work through this transition, they must be cognizant of the rhetoric and terminology being used and avoid any language that perpetuates these inaccurate ideas.

Another key approach to eradicating energy poverty is to increase income through economic diversification. Generally speaking, the members of OPEC lack diverse economies, with an extreme

³² "NTP report 'The Transformation Continues' reflects on achievements," *Saudi Gazette*, June 9, 2021, <https://saudigazette.com.sa/article/607573>.

³³ "National Transformation Program," Vision 2030 Program, accessed June 26, 2023, <https://www.vision2030.gov.sa/v2030/vrps/ntp/>.

³⁴ Mikael Gonzalez-Eguino, "Energy Poverty: An Overview," *Renewable and Sustainable Energy Reviews* 47 (July 2015).

³⁵ Andrea Lampis, et al., "Energy transition or energy diversification? Critical thoughts from Argentina and Brazil," *Energy Policy* (December 2022): 8.

majority of exports and economic output in the oil industry. This leaves them vulnerable to extreme fluctuations in oil prices, which then can negatively affect the country's economy.³⁶ These fluctuations can create a feedback loop in the economy, which makes diversification difficult. As prices fluctuate, this creates instability in the economy, which discourages investment in other tradable goods. Without investment, the country is forced to continue to rely on oil. Another difficulty facing oil-producing nations with diversification is the skillset of oil workers. These skills are not easily transferrable to other industries, which makes it hard to shift laborers away from the oil industry.

Diversification can also be hindered by violent conflict. When conflict occurs, investment and infrastructure in non-oil sectors often leaves the country.³⁷ However, oil infrastructure is not very mobile and therefore is left behind during violent conflict. This perpetuates oil dependence when violent conflict occurs, as it has in many OPEC nations, such as Iraq.

In order to reduce dependency on oil, there are a number of policies that OPEC nations can implement to encourage investment in non-oil industries. Firstly, nations can solidify their fiscal and monetary policies to increase economic stability.³⁸ This will help offset the instability that comes from fluctuating oil prices. OPEC nations must also invest in human capital and infrastructure to promote non-oil industries. This policy will help improve labor productivity and ease entry costs for new industries. Thirdly, nations must adopt more investment-friendly policies, such as cutting bureaucratic red tape and other barriers to establishing new businesses. Finally, while OPEC and other bodies can push for these reforms, each country must develop specific policies based on its own circumstances. There is no one-size-fits-all solution to reducing economic dependence on oil.

OPEC can build flexibility into its recommendations on this topic. Each country has its own unique cultural and societal norms that will determine the best policy for that nation. Within the issue of energy poverty, as people determine what priorities they will save their energy for, it will vary by country because of different cultural standards. Additionally, when making policies about economic diversification, it is important to recognize that while all OPEC nations have a reliance on the oil industry, the way that this reliance manifests can be very different. While OPEC can develop frameworks to address these issues, it must leave room for each country to mold the frameworks to its individual and unique climate.

³⁶ Michael Ross, "What Do We Know About Economic Diversification in Oil-Producing Countries?" *eScholarship* (2017): 5.

³⁷ *Ibid*, 6.

³⁸ *Ibid*, 8.

Conclusion:

Millions of people in the Global South face energy poverty in their countries and where armed conflict occurs, situations are worsened. They are forced to ration their energy use and prioritize certain tasks over others. As a bloc of major players in the energy industry, OPEC is in a unique position to address issues of energy supply and energy poverty during armed conflict, while also considering the role of the oil industry in climate change. To tackle this issue, OPEC members must work to diversify their economies, potentially with the bloc assisting. However, the unique cultural and political landscapes of each country require OPEC to leave room for adaptation within its policy decisions.

Questions:

1. How can OPEC define energy poverty in an equitable and accurate way?
2. Energy supply issues during armed conflict often lead to increases in energy poverty. Does OPEC have a responsibility to mitigate energy supply issues during conflict? Or what may OPEC and its members gain when addressing energy supply issues globally?
3. Many argue that OPEC members need to diversify their economies. Should OPEC as an organization assist members in doing this? If so, how?

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