

Research paper

Forum: 2nd committee

Issue: Developing a response plan during the global energy crisis

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Background

The 2021–present global energy crisis is the most recent in a series of circular energy shortages experienced over the last fifty years. As the war in Ukraine continues to rage, skyrocketing energy prices are compounding an existential cost-of-living crisis for hundreds of millions of people. In early July, the UNDP estimated that up to 71 million people could have already been pushed into poverty in the three months since the start of the war, with hotspots in the Balkans, Caspian Sea region and sub-Saharan Africa. As citizens in many countries begin to grapple with the cost-of-living crisis, an intensification of social protests and riots has been recorded.

The COVID-19 pandemic in 2019-2020 caused a rapid drop in energy demand and a corresponding cut in oil production, and despite the 2020 Russia–Saudi Arabia oil price war, OPEC responded slowly to the demand recovery under new normal, causing a supply-demand imbalance, and the 2021–2022 global supply chain crisis that further stressed the delivery of extracted petroleum.

In December 2020, after months of restrictions, China fully blocked coal imports from Australia, which was China's largest source of imported coal.

In 2021, Brazil, which relies on hydropower for two-thirds of its electricity, faced the worst drought in almost a century that threatened its electricity supply.

The Russian invasion in Ukraine has threatened the energy supply from Russia to Europe, causing European countries to diversify their source of energy imports.

Current state

Prices of commodities in global markets are still high but stabilizing. The food price index of the Food and Agriculture Organization of the United Nations (FAO) declined slightly in June 2022 and is down by about 3.3 per cent from its historic high in March. Agriculture and commodity spot indexes are now close to pre-war levels. Shipping costs have also slowly begun to decrease, especially for bunker and tanker ships that are the mostly correlated with commodities and that

have contributed considerably to the increase in consumer prices and import costs across the board. Excessive harvests in Australia, Canada, the Russian Federation, and the United States of America may have contributed to the price decline. as well as by optimism following the signing on 15 July 2022 of the agreement between the Russian Federation, Türkiye and Ukraine, under the auspices of the United Nations, to reintegrate grains and sunflower oil from Ukraine into global markets and facilitate unimpeded access to food and fertilizers from the Russian Federation. Although the prices of some commodities have fallen, due to high inflation, the situation has remained tight for billions of people, whose socioeconomic prospects have worsened as a result. In developing countries, exposure to financial shocks is increasing despite falling commodity prices. Energy markets in particular are under stress, as the heating season approaches in the northern hemisphere. Most consumers have not seen commodity price declines translated into lower inflation rates. Inflation continued to accelerate worldwide in July 2022, developing countries and the least developed countries in particular are experiencing even higher levels of inflation. Energy prices are still high, above pre-war levels, suggesting further turmoil in energy markets, with significant global implications.

Concerns

The world is in the grip of a major energy crisis, with countries worldwide affected by extremely high and volatile prices, particularly of fossil fuels. The war in Ukraine has further disrupted fossil fuel supplies and the overall market, in which the Russian Federation is the leading exporter of natural gas and the second largest exporter of oil. Rising energy prices may price out many developing countries, with a high level of impact on the most vulnerable citizens, from energy markets. Such a situation is already impacting hard-won gains in the provision of access to energy and the reduction of energy poverty, and progress had already been set back due to the pandemic. A potential “scramble for fuel”, in which only those countries paying the highest price can gain access, would be devastating for a multilateral system based on trust and proportionality. However, even short-term energy-related decisions can have important long-term consequences. The best policies will mix urgency and strategy. Without such policies, there is a risk that some countries, especially those without adequate funding, might, under pressure, set a course for high-emission, expensive energy in future.

Possible solutions

- Manage energy demand
- Provide solutions for vulnerable populations for affording energy
- Transfer to renewable energy
- Strategize and regulate energy flows

Terms

- *OPEC* - Organization of the Petroleum Exporting Countries
- *GCRG* – Global Crisis Response Group
- *UNDP* – United Nations Development Programme
- *Fossil fuels* - Fossil fuels are made from decomposing plants and animals. These fuels are found in the Earth's crust and contain carbon and hydrogen, which can be burned for energy. Coal, oil, and natural gas.

Main countries involved

- Russia
- Germany
- China
- Denmark
- Turkey
- Serbia
- UAE

Links

<https://news.un.org/pages/global-crisis-response-group/>

<https://unctad.org/news/energy-crisis-un-global-crisis-response-group-urges-support-most-vulnerable-and-transition>

https://news.un.org/pages/wp-content/uploads/2022/08/GCRG_3rd-Brief_Aug3_2022_FINAL.pdf?utm_source=UNITED+NATIONS&utm_medium=BRIEF&utm_campaign=GCRG