

Future Fuel

MANFRED WARDA

LIKE OTHER GLOBAL UNIONS THE INTERNATIONAL FEDERATION OF CHEMICAL, ENERGY, MINE AND GENERAL WORKERS' UNIONS (ICEM) HAS REACTED QUICKLY TO PUT THE FINANCIAL CRISIS AND THE GLOBAL RECESSION INTO THE CENTRE OF ITS WORK.

Meeting on 6 November, 2008 in Geneva, at a time when the world was still in shock at the extent of the global financial collapse, the Federation's leaders did not mince words.

In their statement the ICEM Presidium said this was a turning point in history, proof that the current system of capital has not worked and called for change – in particular the creation of a new and fairer system of global capital based upon “stringent financial oversight and governance, including a new set of global regulations.”

Union leaders know better than most that those people of the world least responsible for the collapse are the most vulnerable, worst affected, and the least able to cope in the aftermath of the crisis.

All ICEM Industries are affected. It is clear that 2009 will bring a deeper impact. The collapse of motor industry sales instantly affects the tyre, rubber and plastics sector. Workers in the flat glass industry are part dependent on the auto sector and equally affected by the downturn in construction. Reduced raw materials prices are taking their toll on the mining sector and general chemicals.

But the crisis and recession must be no excuse for making the situation worse by easing up on international commitments to development of the world's poorest economies.

The ICEM Presidium says that the world's financial institutions and

the international community must not abandon existing commitments regarding project development in the countries that need it the most, or to abandon or diminish work to achieve the Millennium Development Goals.

For its part the ICEM plans to use its links with the Council of Global Unions to help forge a labour campaign that will see a radical transformation of the global economy – more stringent financial oversight and governance and regulations that will stick as well as opening the door to a new order in which more developing countries are brought into the process of monitoring and controlling global capital.

In the energy industries, and specifically oil, the economic turmoil and recession is made more uncertain by the impact of the downward price of oil.

Globally, the world remains overwhelmingly dependent on fossil fuels. While oil remains the world's leading fuel, over the last 6 years it has consistently lost global market share – principally to coal.

The growth in coal and increased demand for oil, have been driven by the expanding economies of China and India. Indeed the Asia-Pacific region accounted for two-thirds of global energy consumption growth in 2007, rising by an above average 5 per cent. China again accounted for half of global energy consumption growth.

Most forecasts predict that by 2030, with oil in the lead, fossil fuels

will continue to provide more than 85 per cent of world energy needs. The total contribution of non-fossil fuels to the mix will grow but from a low initial base.

Energy demand in the short term is falling as manufacturing industries contract. Demand plummeted in the latter part of 2008 and global oil stockpiles grew. In the third quarter of 2008, United States oil consumption shrank by about 1 million barrels per day – that's around a 5 per cent decrease. By the end of 2008 it had dropped by 6.5 per cent. Further declines are expected in 2009.

Oil prices since the beginning of 2008 have been volatile. Increased demand in emerging economies, worries over future supplies and regional instability, as well as outright speculation saw the benchmark price of crude oil rocket to almost \$150 a barrel and then plummet to levels of around \$40 a barrel. Percentage changes in the price have seen fluctuations of rising or falling by 12 per cent or more in just one day of trading in January 2009.

The impact has been clear. The falling prices have led to the cancellation or postponement of a number of oil industry investments. Prices will remain low for the period of the depression, exploration efforts will slow and there will be a surplus of production capacity over demand.

However, the price will rebound. With industry cutting back on investment, there will be less capacity to meet rising demand when the world economy does recover.

The world is not faced with the end of oil and gas supplies although it is very likely that we can already see the end of “cheap” future oil reserves that cost only a few dollars a barrel to produce.



IMAGES © M. CROZET/ILO



The world is not faced with the end of oil and gas supplies although it is very likely that we can already see the end of “cheap” future oil reserves that cost only a few dollars a barrel to produce.



Such fields are only in the Middle East, in shallow onshore wells with relatively simple geology. Iraq is probably the only country where such reserves are presently under-exploited.

But there remains a large and increasing resource base, that together with the vast amounts of nonconventional oil capable of being exploited, there is enough oil to meet the world's needs for the foreseeable future.

What is an issue, however, is the deliverability of the required oil. Future production will be heavily focused on resources in deep and very deep water offshore. It will be in hostile and environmentally sensitive environments such as the Arctic Region as well as so-called “nonconventional”

supplies including oil-sands, oil shale and heavy oil deposits.

Northern Alberta in Canada, for instance, has the world's largest tar sands reserves at an estimated 174 billion barrels of oil. Extraction remains expensive with many of the massive projects under development requiring oil prices of around \$75 per barrel.

Even these massive reserves are potentially dwarfed by the United States seams of underground oil shale in the Rocky Mountains that are said to contain an estimated 800 billion barrels of oil – about three times the reserves of Saudi Arabia. Extraction would be expensive and require massive amounts of water.

This likely continued dependence of the world economy on fossil-fuels creates major challenges regarding climate change.

The world works when it has the energy it needs, but it will have to make sure that it makes the change to a sustainable future that will create more jobs and improve the quality of life for all. That is why addressing the challenge of climate change is, like the need to put people first, one of the key demands as unions develop their own strategies for a durable and lasting recovery.

Manfred Warda is the General Secretary of the International Federation of Chemical, Energy, Mine and General Workers' Unions