# Countering Collapsing Oil Prices and COVID-19 at the G20 Energy Ministers Emergency Meeting

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May 18, 2020

## Introduction

On April 10, 2020, G20 energy ministers held their first ever emergency meeting and their first in a virtual format. It was also the first meeting that immediately followed gathering of members of the Organization of Petroleum Exporting Countries and other oil producers (OPEC+), to have G20 ministers extend the production cuts agreed at OPEC+ to the several other oil-producing members of the G20, notably the United States, Canada, Mexico and Brazil. Both the OPEC+ and G20 energy ministers' meetings were a response to an initiative by U.S. president Donald Trump to end the damage caused by an oil price war launched by the 2020 G20 host Saudi Arabia and the 2020 BRICS host Russia a month before. Russia and Saudi Arabia had done so in an effort to maintain their position as dominant global oil suppliers against the new surging energy superpower, the United States, whose "fracking revolution" had now made it the first ranked oil producer in the world. However the Saudi-Russian oil price war started just as the COVID-19 pandemic surged and spread globally, reducing the demand and thus the price for oil to an unprecedented degree. As the pandemic still proliferated and oil demand plunged after the G20 energy ministers meeting ended, it quickly became clear that the OPEC+ supply cuts with their small and opaque G20 support were not nearly enough.

Donald Trump's unusual display of OPEC+ and G20 leadership temporarily succeeded in brokering the OPEC+ deal, by having the United States take most of the cuts that its neighbour Mexico refused to accept, and thus raising gas prices at the pump for U.S. voters as his presidential re-election approached on November 3. However, within days, his sudden, unusual intervention in OPEC+ and G20 energy governance had largely failed. This was in part because the G20 energy ministers themselves never agreed in their communiqué to take the new, government-imposed oil supply cuts needed to end the oil price war, or even publicly address the issue of oil's supply-demand balance and price. Their focus was on their more traditional concern with energy market stability and energy security. Yet even from this perspective, their meeting was at best a minimal success, judging by the number and breadth of the commitments it made, and what came in its immediate aftermath.

Several weeks later, G20 host Saudi Arabia thus made a unilateral oil supply cut to keep the deal alive. It did so as the widespread reopening of parts of G20 economies and societies led some to think that the desired higher oil demand and price would soon return. But with COVID-19's first wave still rolling into more countries, with the second wave erupting, with the World Health Organization estimating that COVID-19 could last for five years, and with the renewable energy revolution gaining force, there is much more work for G20 energy ministers and their leaders to do.

## G20 Energy Ministers' Governance, 2015–2019

The April meeting of G20 energy ministers was the seventh since they met first in 2015 (see Appendix A). They held annual meetings again in 2016 and 2018, but not 2017. They held two meetings in 2019, with one being a joint gathering with their environment minister colleagues.

During these meetings they had made a total of 124 public, precise, future-oriented, politically obligatory, collective commitments, for an average of 21 each time they met. They started with 20 in Istanbul in 2015, continued with 25 in Beijing in 2016, and 18 in Bariloche, Argentina, in 2018. Their decisional performance soared to 39 commitments in Japan in 2019, adding another 12 as part of their joint meeting with environment ministers, for a 2019 total of 51.

Since the 2015 start the energy ministers' agenda was constantly broad. It was infused with substantial concern for protecting the natural environment and controlling climate change. Including the 10 commitments they added in April 2020, their cumulative total of 124 commitments were led by 19 (for 15% of the total) on clean energy, supplemented by 15 (for 12%) on energy efficiency, two (for 2%) each on sustainable development and climate change, and one (for 1%) on nature-based solutions. With 32% of their commitments being explicitly ecological ones, G20 energy ministers governed with synergies rather than in their own silo, and mobilized energy to support the G20 leaders' growing action on controlling climate change (Kirton and Kokotsis 2015; Warren 2019; Kokotsis 2019; Kirton and Warren 2020).

## The G20 Energy Ministers' Emergency Meeting, April 2020

That all changed at the meeting on April 10, 2020. Here COVID-19 crowded out any action on environmental protection, in favour of a focus on the economy, and one commitment on health coming for the first time. This was a sharp shift from the 22 priorities the 2020 G20 Saudi Arabian host had set when it started on December 1, 2019. Then it had put the environment first in G20 summit governance for the first time (Kirton 2019).

Just over four and half months later, G20 energy ministers in their videoconference produced 10 commitments. They covered five subjects: international cooperation with four, energy market stability and energy security with two each, and health and the macroeconomy with one each. The 10 commitments were almost as many as the 12 they produced in 2019 in their joint meeting with environment ministers, but one third of the 39 they made on their own when they met earlier that year. And it was only half of the 20 they made at their first meeting in 2015, and considerably fewer than the 25 in 2016, and 18 in 2018. Those earlier meetings commitments covered many more subjects; notably eight in 2015 and 2016 and eight in their first stand-alone meeting in 2019. In contrast, in April 2020 they produced no commitments on clean energy, energy efficiency, innovation, sustainable development, climate change, nature-based solutions, energy access, financing or digitalization. This was despite these subjects having been identified as priorities set by the Saudi host when it had started its year on December 1. Thus four months later, the environment was absent, crowded out completely by the health and ensuing economic crises that COVID-19 had brought.

Moreover, the energy ministers did not agree to meet again before their long scheduled meeting in September, saying only that they were "standing ready to reconvene sooner if required." In the meantime, they delegated their responsibilities to a lower level focus group they created. Only in September would they deal with both COVID-19 and the "transition towards cleaner and sustainable energy systems." Yet there was no hint that they would do so by meeting with their environment ministers, as they had in 2019.

### Results

The ministers' communiqué made no commitment on, or even reference to, any G20 members constraining their oil production to assist the OPEC+ deal have the desired effect, even as the COVID-19 shutdowns reduced global demand by an estimated 30 million barrels per day (mb/d). OPEC+ had promised only a short-term cutback of 9.7 mb/d, assuming all members would comply with the commitments they made. Some Russian producers immediately said they could not take

their fair share of the cuts. After the G20 meeting, Mexico refused to take its requested 400 mb/d cuts, leading Donald Trump to declare that the United States would bear three quarters of this burden for its new partner in the United States–Mexico–Canada Agreement (USMCA) and its neighbour on the other side of the U.S. southern border wall. But Trump's USMCA neighbour to the north, Canada, took no government-directed cuts at all. Nor did the United Kingdom, Brazil or any other member of the G20.

The market instantly noted this great gap between the promised supply cutbacks and the more certain demand drops. The price of the global benchmark Brent crude dropped from $31.48 a barrel the day before the G20 energy ministers meeting to $27.82 a week later (see Appendix B). The North American benchmark, West Texas Intermediate (WTI), dropped from $22.76 to $19.87 a barrel during the same time. The ministers' two commitments to produce energy market stability were thus not complied with in the very short term. Nor did any corrective action come from G20 finance ministers and central bank governors when they met on April 15: their commitment-filled communiqué said essentially nothing about oil, energy or the natural environment.

## Causes of the G20 Energy Ministers' Change

Why did the G20 energy ministers' meeting fail, even with Donald Trump surprisingly offering American leadership on behalf of his now energy superpower? The systemic hub model of G20 governance, constructed to explain G20 summit performance, provides a good guide at the ministerial level too (Kirton 2013).

### Shock-Activated Vulnerability

The first cause of calling an emergency meeting itself, and the sharp shift from an environmental to an energy focus, was shock-activated vulnerability, specifically the unexpected confluence of two hitherto unrelated shocks. The first shock was the new, unintended, non-state–created, untargeted shock of the COVID-19 health crisis, which started in animals, shifted to humans and had spilled over to devastate economic activity and energy demand by April 10. The second shock was the consciously state-created, state-targeted, old security shock of the Saudi-Russian oil price war started on March 10.

On March 10, the day before the Saudis and Russians started their price war, the world oil prices were $37.22 for Brent and $34.36 for WTI. By April 9, the day before the G20 energy ministers met, they had fallen to $31.48 for Brent and $22.76 for WTI. This was a sufficiently sharp and shift negative shock to lead Russia and Saudi Arabia to call a truce and promise to cut back supply. It was also enough for Donald Trump, on behalf of his financially suffering shale producers in his politically supportive "red" states led by Texas, to intervene to take U.S. oil supply cutbacks to seal the deal, even if higher prices for gas at the pump domestically would harm his voters who drove gas guzzlers and thus his chance of re-election on November 3, 2020.

However, the necessary second shock came from COVID-19. On March 10, when the Russians and Saudis started their price war, there were 113,703 infections and 4,012 deaths world-wide. By April 9, the toll had soared more than tenfold to 1,435,198 infections and more than twentyfold to 85,523 deaths. The change was even greater in the United States, which had only 17 COVID-19 deaths at the start of March but 7,152 by the start of April, rising to 36,997 by April 17 and subsequently 90,000 one month later. This health shock had led to the reduction of travel, economic production, income, employment and personal mobility that led so much demand for oil to swiftly disappear.

### Multilateral Organizational Failure

The second cause was multilateral organizational failure in response to this dual energy-health shock. The World Health Organization, created in 1948, responded well to the health shock, even if its

members, led by a skeptical United States, were slow to send it the annual dues that they were legally obliged to provide. Yet the world lacked an equivalent world energy organization. The producers' cartel from the 1960s, OPEC, could no longer agree to reliably control supply and thus price. And the consumers club of the International Energy Agency (IEA), created at the initiative of U.S. secretary of state Henry Kissinger in 1974, was designed to respond to falling supply and soaring prices, rather than the reverse shock that erupted in March 2020. Having G20 governments buy oil to fill the national strategic petroleum reserves that the IEA oversaw could only increase oil demand a bit. Spending money to extract oil from the ground and then spending more money to put it back in the ground seemed to some to be an inefficient use of scarce funds that could be better spent on immediate COVID-19–created needs.

### Predominant Equalizing Capability

Behind this multilateral organizational failure lay shifts in the globally predominant, internally equal capabilities of the G20. With the United States and Canada having become global energy superpowers, OPEC members no longer controlled the world oil supply and price, even when Russia was brought into the OPEC+. Power had passed to the G20, where the addition of the United States, Canada, Mexico, the United Kingdom and Brazil gave this group greater global predominance and high internally equal capability. The United States had joined Russia and Saudi Arabia in the top tier, while Canada — with its oil sands — and Mexico, the United Kingdom and Brazil more than replaced the disappearing production in OPEC's Venezuela, Libya, Iran, Syria and Iraq.

### Political Cohesion

Mobilizing this appealing configuration of G20 oil capability, however, depended on having enough domestic political cohesion in key G20 members to push or at least allow their energy ministers and leaders to adjust in an effective, internationally cooperative way. Such cohesion was rather low. Donald Trump did not control the U.S. Congress and his new conviction that higher gas pump prices were good for his voters and the OPEC+ cartel was good for the world could not be counted on to endure. Mexican president Andrés Manuel López Obrador's new interest in participating in G20 processes was less enduring than his conviction that Mexico's future economic fortunes depended on restoring state-controlled Pemex oil production to its full centrality of old. Brazilian president Jair Bolsonaro refused even to recognize the COVID-19 shock, still dismissing infections as sniffles, even as death rates among his citizens soared. British prime minister Boris Johnson maintained his predecessor's interest in clean energy, as his country's energy mix shifted strong to such sources, but he was incapacitated by his own COVID-19 infection at the critical stage. Canadian prime minister Justin Trudeau was unpopular in his oil-producing provinces of Alberta and Saskatchewan, where his minority government held no parliamentary seats, and he was committed to a post-COVID-19 economic recovery based on clean energy sources rather than these provinces' heavy oil. He was in no position to impose further production cuts on his already economically devastated oil-producing provinces.

## Conclusion

The environmental priorities of Trudeau, Johnson and the Saudi Arabian host of the G20 at their start in December 2019 provided some hope that when the next G20 energy ministers' meeting takes place on September 27-28, it will return to its traditional path of making more commitments, on a broader agenda, with its environmental emphasis restored. But much will depend in the time between April and September on OPEC+ members' compliance with and corrections of their cutback commitments and U.S. president Donald Trump's instincts and re-election campaign calculations. It will depend, above all, on how much more death and economic devastation will come from a COVID-19 epidemic still surging in oil-producing Russia, Brazil, the United Kingdom, Canada and the United States and in oil-importing India and Japan. At their April meeting, G20 governors at all

levels had only started to consider the now critical connections among energy, the economy, the environment and health, and what actions would bring the best co-benefits for all.

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# Appendix A: G20 Energy Ministers' Commitments 2015-2020

| | Total | 2015 Istanbul | 2016 Beijing | 2017 (none) | 2018 Bariloche | 2019 Karuizawa | | 2020 Virtual |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Energy | Joint | |
| Clean energy | 19 | 3 | 8 | | 2 | 6 | | |
| Innovation | 17 | | | | 3 | 11 | 3 | |
| International cooperation | 16 | 4 | | | 3 | 5 | | 4 |
| Energy efficiency | 15 | 4 | 5 | | 1 | 5 | | |
| Energy market stability | 15 | 2 | 2 | | 1 | 5 | 3 | 2 |
| Energy access | 12 | 3 | 3 | | 2 | 4 | | |
| Energy security | 10 | 2 | 2 | | 2 | 2 | | 2 |
| Financing | 8 | | 1 | | 2 | | 5 | |
| Digitalization | 3 | | 1 | | 1 | 1 | | |
| Sustainable development | 2 | 1 | 1 | | | | | |
| Climate change | 2 | 1 | | | 1 | | | |
| Health | 1 | | | | | | | 1 |
| Macroeconomy | 1 | | | | | | | 1 |
| Nature-based solutions | 1 | | | | | | 1 | |
| Total | 124 | 20 | 25 | 0 | 18 | 39 | 12 | 10 |

Notes:
The first G20 energy ministers' meeting was held in 2015. No meeting was held in 2017. In 2019 a joint energy-environment ministers' meeting produced a total of 79 commitments. Of these, the energy ministers committed to 51 commitments, of which 12 were committed to by both the energy and environment ministers. The table excludes the 58 commitments agreed to by only the environment ministers.
Compiled by Brittaney Warren, April 13, 2020.

## Appendix B: Shocks from Oil Prices and COVID-19

| Date | Brent | WTI | # COVID-19 cases globally | # COVID-19 deaths | OPEC/G20/G7 response |
|---|---|---|---|---|---|
| 03-01-20 | | | 87,137 | 2,977 | |
| 03-02-20 | 51.90 | 46.75 | 88,948 | 3,043 | |
| 03-09-20 | 34.36 | 31.13 | 109,577 | 3,809 | |
| 03-10-20 | 37.22 | 34.36 | 113,702 | 4,012 | |
| 03-11-20 | 35.79 | 32.98 | 118,319 | 4,292 | |
| 03-12-20 | 33.22 | 31.50 | 125,048 | 4,613 | |
| 03-13-20 | 33.85 | 31.73 | 132,758 | 4,955 | |
| 03-14-20 | | | 142,534 | 5,392 | |
| 03-15-20 | | | 153,517 | 5,735 | |
| 03-16-20 | 30.05 | 28.70 | 167,515 | 6,606 | G7 emergency summit |
| 03-17-20 | 28.73 | 26.95 | 179,111 | 7,426 | |
| 03-18-20 | 24.88 | 20.37 | 191,127 | 7,807 | |
| 03-19-20 | 28.47 | 25.22 | 209,839 | 8,778 | |
| 03-20-20 | 26.98 | 22.43 | 234,073 | 9,840 | |
| 03-21-20 | | | 266,073 | 11,183 | |
| 03-22-20 | | | 292,142 | 12,783 | |
| 03-23-20 | 27.03 | 23.36 | 332,930 | 14,509 | |
| 03-24-20 | 27.15 | 24.01 | 372,755 | 16,231 | |
| 03-25-20 | 27.39 | 24.49 | 413,467 | 18,433 | |
| 03-26-20 | 26.34 | 22.60 | 462,684 | 20,834 | G20 emergency summit |
| 03-27-20 | 24.93 | 21.51 | 509,164 | 23,335 | |
| 03-28-20 | | | 571,659 | 26,493 | |
| 03-29-20 | | | 634,813 | 29,891 | |
| 03-30-20 | 22.76 | 20.09 | 693,282 | 33,106 | |
| 03-31-20 | 22.74 | 20.48 | 750,890 | 36,405 | |
| 04-01-20 | 24.74 | 20.31 | 823,626 | 40,598 | |
| 04-02-20 | 29.94 | 25.32 | 896,475 | 45,525 | |
| 04-03-20 | 34.11 | 28.34 | 972,303 | 50,321 | |
| 04-04-20 | | | 1,051,697 | 56,986 | |
| 04-05-20 | | | 1,133,758 | 62,784 | |
| 04-06-20 | 33.05 | 26.08 | 1,210,956 | 67,594 | |
| 04-07-20 | 31.87 | 23.63 | 1,279,722 | 72,614 | |
| 04-08-20 | 32.84 | 25.09 | 1,353,361 | 79,235 | |
| 04-09-20 | 31.48 | 22.76 | 1,436,198 | 85,521 | |
| 04-10-20 | | | 1,521,252 | 92,798 | G20 energy ministers meeting |
| 04-11-20 | | | 1,610,909 | 99,690 | |
| 04-12-20 | | | 1,696,588 | 105,952 | |
| 04-13-20 | 31.74 | 22.41 | 1,773,084 | 111,652 | |
| 04-14-20 | 29.60 | 20.11 | 1,844,863 | 117,021 | |
| 04-15-20 | 27.69 | 19.87 | 1,914,916 | 123,010 | |
| 04-16-20 | 27.82 | 19.87 | 1,991,562 | 130,885 | |
| 04-17-20 | 28.08 | 18.27 | 2,074,529 | 139,788 | |
| 04-18-20 | | | 2,160,207 | 146,088 | |
| 04-19-20 | | | 2.241,778 | 152,551 | |
| 04-20-20 | 25.57 | -37.63 | 2,314,621 | 157,847 | |
| 04-21-20 | 19.33 | 10.01 | 2,397,217 | 162,956 | |
| 04-22-20 | 20.37 | 13.78 | 2,471,136 | 169,006 | |
| 04-23-20 | 21.33 | 16.50 | 2,544,792 | 175,694 | |
| 04-24-20 | 21.44 | 16.94 | 2,626,321 | 181,938 | |
| 04-25-20 | | | 2,719,896 | 187,705 | |
| 04-26-20 | | | 2,804,796 | 193,710 | |
| 04-27-20 | 19.99 | 12.78 | 2,878,196 | 198,668 | |
| 04-28-20 | 20.46 | 12.34 | 2,954,222 | 202,597 | |
| 04-29-20 | 22.54 | 15.06 | 3,018,681 | 207,973 | |
| 04-30-20 | 25.27 | 18.84 | 3,090,445 | 217,769 | |

Sources: Markets Insider Historical Prices; World Health Organization Coronavirus (COVID-2019) Situation Reports.
Notes: Prices in U.S. dollars. WTI = West Texas Intermediate.