

Is the Ukraine war changing the global Fossil Fuel demand and Market dynamics?

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Figure 1 Borrowed from The Ministry of Petroleum & Mineral Resources

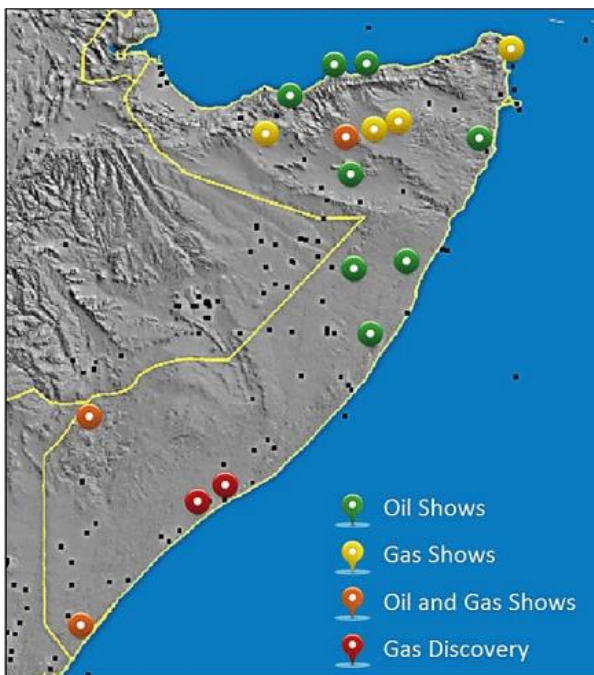
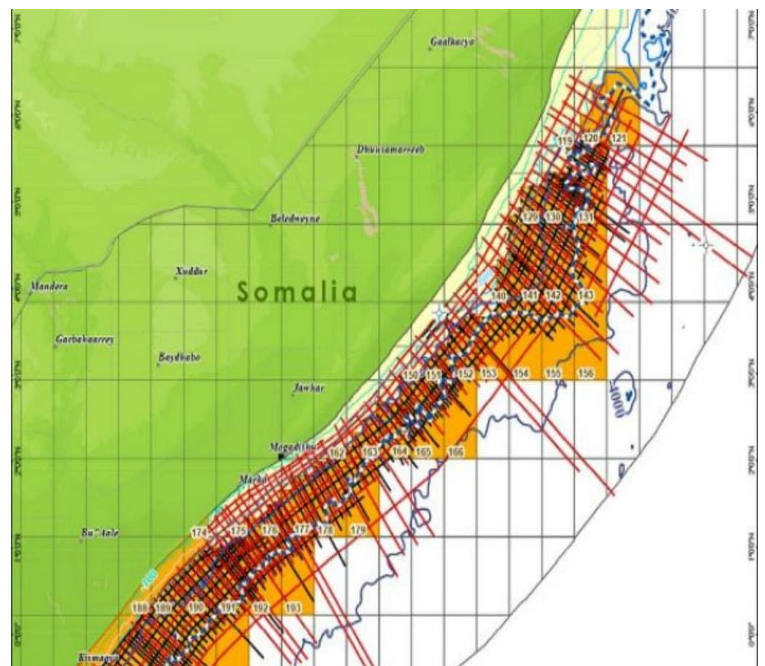


Figure 1 Borrowed from Saxafi news



Sensitive question depending on who you ask. To the western politicians, the prime focus is to isolate Russia and penalize its actions toward Ukraine, on the contrary, according to Putin Europe is committing economic suicide (Aljazeera English Inside Story aired on the 20th of May 2022).

On the day of that Aljazeera program, it was agreed the Russian Rubble appreciated against US Dollar contrary to what many financial and sanctions experts predicted.

Russian accumulation of vast US Dollar reserves coupled with EU's indispensable dependence on Russian Gas imports which for EU countries accounts for 40% and for some former Eastern European countries now in the EU accounts for about 80%. This demand and dependence dynamics gave Russia a flat plane to manoeuvre around to become a sanction-resilient economy at least for now.

War in Ukraine however tragic it is, it would surely one day be added to the list of past wars. Nevertheless, many analysts are decoding from this particular war; that it will have far more consequences than what was ever envisaged.

Conceivable Fossil Fuel Industry rethink (Europe being the focus)

According to [June 2021 Brooking Institute's Samantha Gross's comprehensive report](#) in which she eloquently explained the rationale behind the global thirst for Fossil Fuel. Gross elaborated how in the foreseeable future fossil fuel will be the most economical engine to drive our ever-energy-hungry economies.

The fact that some major producers seem unreliable partners to fulfil a given country's demand due to political events that in normal circumstances should not affect the demand and supply matrix our economies depend on. In this context, it seems due to higher oil and gas prices that negatively impact elements of modern economies supply/sourcing diversification is among the leading theorems the Oil and Gas industry should entertain. Many energy industry analysts

argue now is the time to try to tap into more save and less politically complicated energy sources such as Africa.

Figure 2 Somalia Offshore Seismic data collected areas

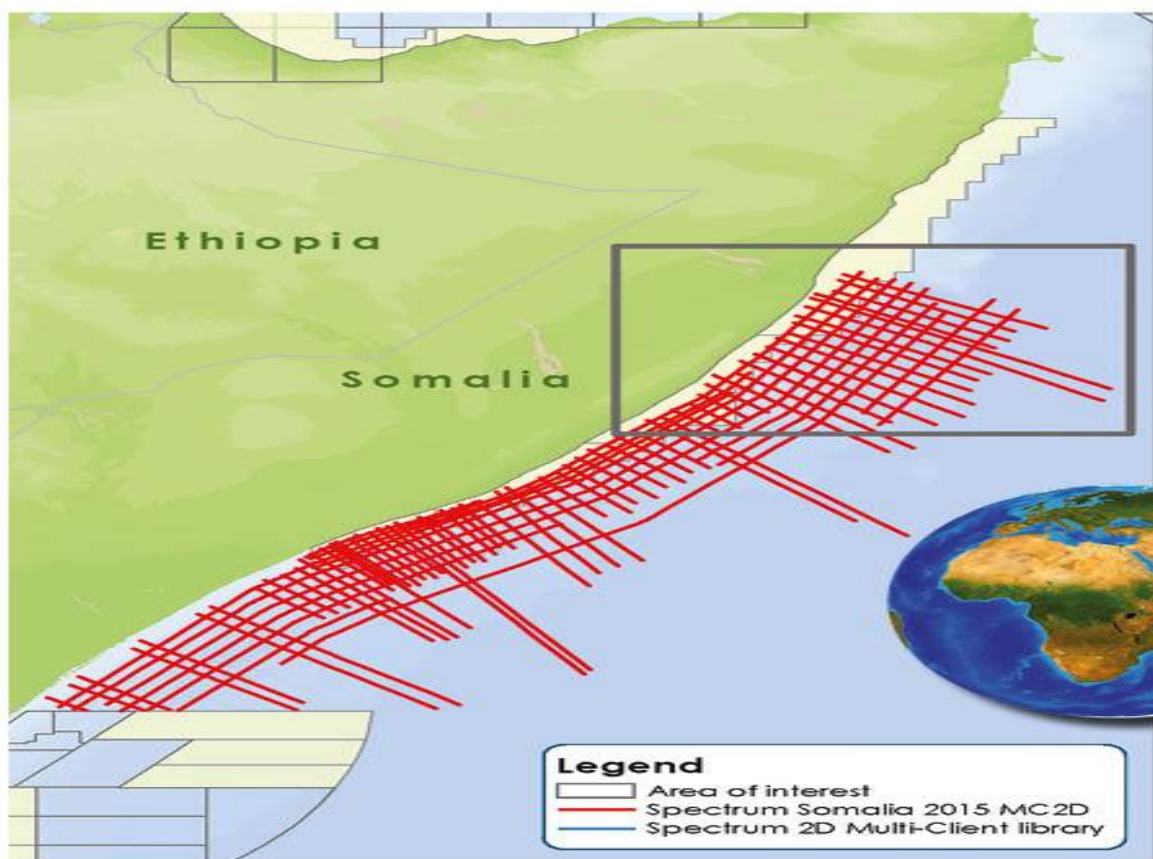


Figure 3: Spectrum 2D datasets offshore Somalia.

For instance, according to a recent report co-authored by Mr Karar Doomey former director general (DG) of the Somali Ministry of Petroleum a senior energy engineer educated in Norway and professionally worked in Norway's advanced Oil and Gas industry, in which he presented at the 2nd day of [Somalia National Economic Forum 5th conference](#) held in Mogadishu Somalia on 20-21st of Jun 2022 offshore seismic data presented is promising and could have been a valuable choice for the energy industry especially capable companies

that have both the resources and technical know-how to explore. Seismic data of half of Somalia's offshore area is estimated to hold 30 billion barrels of crude oil reserves. The DG's report highlighted the true competition among the companies and countries that want to have a real foothold in Somalia's Oil and Gas exploration. This competition was manifested in the recent concession of offshore blocks U.S.-based [Coastline Exploration](#) announced on Saturday, 19 February 2022 signed with the [Somali Minister of Petroleum and Mineral Resources](#)

The report further based its argument on the insider knowledge the former DG has of Somalia's preparedness for any exploration process to start. The former DG also demonstrated the sophistication and the manner Somalia Production Sharing Agreement was drafted and written ([For all necessary documents incl. Petroleum law please visit Ministry's website](#)). It is though absolutely true that Somalia has security issues that lingered country's progress for many years. The counter argument for this security related issue is that any exploration and drilling will take place offshore ie 160km away from land. This according to 21st of Aug. 2021 high profile meeting titled on Somali Oil and Gas prospects organized by a Somali investable industry champion organization based in London UK ([Friends of the horn foundation](#)) and participated by a panel of high profile individuals incl. current DG of the Somali Ministry of Petroleum and a security expert from [Royal Service United Institute](#) (RUSI a well-renowned security expert institute) where RUSI participant of the panel clearly argued given the

distance between proposed drilling site(s) and nearest land that Somalia's offshore oil exploration has less security risk than any of Somalia's onshore based exploration or drilling site(s).

It is quite true that many countries and companies are keen and advancing their influence to get a portion of the offshore blocks identified.

In my (piece author) recent conversation with a senior staff member of the Somali Ministry of Foreign Affairs and International Cooperation (MFA-IC), he confirmed countries like China are lobbying aggressively to win a chunk of the offshore block concessions.

This last piece of information contradicts the long-standing relationship between Somalia's Oil and Gas prospects and especially Western-owned Oil and Gas giants such as ExxonMobil and Shell among the others. These conglomerates patiently stayed and waited for Somalia Oil and Gas to one day be explored, which indicates fairness and understandable-make no mistake though Somalia is under pressure from many angles and the only rationale is for these western companies to act and secure their place in the pie.

The geographical location of Somalia and the relative environment ie offshore drilling/exploration base is estimated to be 160km away from the nearest land. Indeed the maritime pathway Somalia lays (Oil transportation friendly hence direct from the Indian Ocean to the red sea)

makes Somalia an economically attractive alternative for the energy industry to consider. Offshore Oil explored in Somalia could easily be a direct supply to EU and the UK market, which potentially make the EU and the UK more resilient to any future energy shocks emanating from an event like the Ukraine war.

I use the EU and the UK just to illustrate close proximity geographically to Somalia.

For the strategic decision to explore Somali Offshore Oil and political will to surface and become a priority among western politicians, many seem to believe the job of influential Washington DC and Brussels lobbyists is not in operation yet. One industry expert I once interacted with expressed a firm view that once industry conglomerates decide to move to develop Somali oil, they will in a matter of no time instruct the most influential Washington DC and Brussels energy industry lobbyists to grab the attention of US and EU politicians, which will lead energy industry to get that last assurance from their politicians and might push them to start operations.

The narrative this piece promotes is simply put; world's energy market is frustrated and becoming unstable due to unpredictability and volatility of the energy supply caused by producers who as some say use energy as weapons or blackmail tool. For this to end, these producers should see a firm commitment from the energy industry that adapts a policy against a) the blackmails and reoccurring man-made energy supply bottlenecks that frequently interrupt the

natural flow of supply b) industry leaders demonstrating willingness to diversify their sourcing base hence Somalia is a formidable candidate to the latter.