



## FOREIGN AFFAIRS

# The New Energy Order

## How Governments Will Transform Energy Markets

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In the wake of Russia's invasion of Ukraine, the world appears to be at an inflection point. Business leaders have declared the acceleration of deglobalization and sounded the alarm about a new period of stagflation. Academics have decried the return of conquest and hailed the renewal of transatlantic ties. And countries are rethinking almost every aspect of their foreign policies, including trade, defense spending, and military alliances.

These dramatic shifts have overshadowed another profound transformation in the global energy system. For the last two decades, the urgent need to reduce carbon emissions has gradually reshaped the global

energy order. Now, as a result of the war in Ukraine, energy security has returned to the fore, joining climate change as a top concern for policymakers. Together, these dual priorities are poised to reshape national energy planning, energy trade flows, and the broader global economy. Countries will increasingly look inward, prioritizing domestic energy production and regional cooperation even as they seek to transition to net-zero carbon emissions. If countries retreat into strategic energy blocs, a multidecade trend toward more energy interconnectedness risks giving way to an age of energy fragmentation.

But in addition to economic nationalism and deglobalization, the coming energy order will be defined by something that few analysts have fully appreciated: government intervention in the energy sector on a scale not seen in recent memory. After four decades during which they generally sought to curb their activity in energy markets, Western governments are now recognizing the need to play a more expansive role in everything from building (and retiring) fossil fuel infrastructure to influencing where private companies buy and sell energy to limiting emissions through carbon pricing, subsidies, mandates, and standards.

This shift is bound to invite comparisons to the 1970s, when excessive government intervention in energy markets exacerbated repeated energy crises. The dawning era of government intervention won't be a bad thing, however, if managed correctly. Appropriately limited and tailored to address specific market failures, it can forestall the worst effects of climate change, mitigate many energy security risks, and help manage the biggest geopolitical challenges of the coming energy transition. The current energy crisis has refocused the world's attention on geopolitical energy risks, forcing a reckoning between tomorrow's climate ambitions and today's energy needs and offering a preview of the tumultuous era ahead. How governments respond to these challenges, brought into sharp relief

by Russia's invasion of Ukraine, will shape the new energy order for decades to come.

### **WORSE THAN THE DISEASE**

The story of the 1970s energy crises is in part a story of government overreach. Even before six Gulf members of the Organization of the Petroleum Exporting Countries (OPEC) cut production and instituted an oil embargo against the United States and other countries that supported Israel during the 1973 Yom Kippur War, Washington had actively sought to manage U.S. oil markets. In 1959, for instance, President Dwight Eisenhower set quotas on oil imports in order to protect American producers. These quotas had their intended effect, allowing U.S. producers to flourish and boost supply throughout the 1960s. But they did not protect consumers from rising costs. As Americans took to the suburbs, buying ever larger homes and cars, oil consumption outpaced supply, and prices eventually began to rise.

To keep prices in check, President Richard Nixon tried a number of policies. In 1971, at the same time that his administration ended the gold standard, he imposed a series of wage and price controls, including on oil and gas. But these measures only increased demand for oil while pushing down domestic supply. By the winter of 1972–73, fuel shortages had forced some school districts to close on various days, and the media was warning of a looming energy crisis. In the spring of 1973, Nixon relented and revoked Eisenhower's oil import quotas, at the same time urging Americans to conserve gasoline. Yet by June, several months before the Arab oil embargo, nearly half the gas stations in the country reported problems operating normally, and drivers were struggling to find fuel.

Instead of dialing back the government's role in energy markets, Nixon dialed it up, and the cure proved worse than the disease. In November 1973, Nixon created a federal program through which government

officials determined how to allocate propane, heating oil, jet fuel, diesel, and other fuels. The effort, according to William Simon, who headed the Federal Energy Office at the time, was “a disaster.” It was against this backdrop of government intervention that the Arab oil embargo led to panic buying and lines at gas stations across the country.

The end of the 1970s saw yet another oil crisis, fueled by many of the same forces. In late 1978, a popular uprising in Iran brought oil production there to a standstill, causing shortages in the United States and other countries and sending prices skyward. As they had during the previous crisis, federal price controls and efforts at allocation only made things worse. Americans waited in gas lines once again, were restricted to fueling up on certain days, and listened as President Jimmy Carter delivered his famous “crisis of confidence” speech.

Among the lessons learned from these failures was that too much government micromanagement of the energy economy can backfire. Carter began deregulating energy prices, a process that President Ronald Reagan then accelerated. Gradually, over the next few decades, the U.S. government pared back its role in the energy economy: it phased out import quotas, ended oil and gas price controls, and scrapped the allocation system.

To be sure, the government also enlarged its role in other energy-related areas, instituting fuel economy standards and lower speed limits, subsidizing synthetic fuels and home weatherization initiatives, creating the Strategic Petroleum Reserve, and expanding leasing for exploration and production in the Gulf of Mexico and Alaska. Its increasing use of sanctions against energy-producing nations has been another exception to the general rule. Nevertheless, many of the most significant changes to the energy sector since the crises of the 1970s—such as deregulating natural gas sales and creating competitive power producers and wholesale

power markets—have been guided by a bipartisan consensus that energy security and low costs are best ensured by simply allowing the market to operate on its own.

## **GATHERING STORM**

The energy crisis triggered by Russia's invasion of Ukraine could become the worst in half a century. Many analysts have already drawn comparisons with the 1970s oil crises, but there are important differences. To begin with, the global economy is less energy intense. Economic growth has outpaced growth in energy use, so the world now uses much less energy per unit of GDP. Moreover, many more companies distribute oil globally today than did in the early 1970s, when just a handful of firms controlled most of the world's oil trade. As a result, energy supply chains are now more durable.

That said, the current energy crisis goes well beyond oil and could thus affect a wider slice of the economy. Energy sources of all kinds stand to be disrupted by the turmoil. Russia is not only the world's largest exporter of oil and refined petroleum products but also the dominant supplier of natural gas to Europe and a major exporter of coal and the low-enriched uranium used to power nuclear plants, not to mention many other commodities. With coal, gasoline, diesel, natural gas, and other commodity prices all near record highs, further disruption of Russian energy supplies, whether initiated by Russia or Europe, would accelerate inflation, invite recession, demand energy rationing, and force business shutdowns.

The global energy system was under stress even before Russian President Vladimir Putin decided to invade Ukraine. Europe and other parts of the world faced power generation challenges as more and more of their electricity came from intermittent sources such as solar and wind. At the same time, years of poor returns and increased climate pressures had

reduced investment in oil and gas, resulting in limited supplies. COVID-19-related supply chain problems compounded the scarcity and added to pricing pressures. In 2021 and early 2022, soaring natural gas prices pushed some European utilities into bankruptcy and forced governments to subsidize energy bills. Things could have been even worse, but warmer-than-expected weather in Europe and Asia eased some of the demand for energy.

Since the outbreak of the war in Ukraine, energy markets have been even more volatile. Credit markets have tightened, leaving little liquidity to support the buying and selling of oil, and both supply and demand have experienced large shocks. Many buyers have steered clear of Russian oil, concerned about Western banking and financial sanctions as well as the potential stigma of doing business with Russia. Already, the International Energy Agency estimates that Russia is producing around one million fewer barrels per day, a number that could climb if the European Union follows through with its plan to ban all Russian crude oil, gasoline, and diesel by the end of the year. Speculation that more sanctions could be on the horizon, coupled with OPEC's reluctance to backfill lost Russian oil supply, has pushed prices higher still.

As of late May, oil was trading at well over \$100 per barrel. U.S. gasoline prices reached a record high that month (not adjusted for inflation), and rocketing diesel prices raised the costs of shipping and food. U.S. natural gas prices climbed to their highest level since 2008, nearly doubling since the start of the year. Consumers in Europe and elsewhere face an even sharper emergency as a result of record natural gas prices. Such prices would be higher still were it not for two powerful factors that are at least temporarily moving the market in the opposite direction. COVID-19-induced lockdowns in China have seriously dented global energy demand, and the United States and its international partners have released unprecedented amounts of oil from their strategic reserves. For the time

being, the volume flowing from strategic stockpiles roughly offsets the loss of supply from Russia.

But the worst is likely yet to come. When Chinese lockdowns ease, oil demand will surge, pushing up prices. The same will be true for natural gas prices, which in turn affect electricity and heating prices. Although Russian gas has largely continued to flow to Europe, Moscow has cut sales to Finland, Poland, and Bulgaria; curbed exports through Ukraine and to a Gazprom subsidiary seized by Germany; and threatened to sever supplies to all European countries that do not pay in rubles. A complete cutoff of Russian gas supplies to Europe is still unlikely, but hardly unthinkable, and would probably lead to shortages, energy rationing, and the shuttering of energy-intensive industries.

Any additional sanctions would have second- and third-order effects on the global energy system. Already, the turmoil in markets for liquefied natural gas, which has increasingly flowed toward Europe because of higher prices there, has left Asia looking for alternative energy sources. Coal, an abundant and comparatively cheap substitute for natural gas, has won out. China and other countries have boosted coal production amid rising fears of global energy shortages, taking some of the pressure off global gas markets. Without Asia's increased production of coal, Europe would be less able to cope with the loss of Russian gas. But greater reliance on coal has pushed its price to record highs as well, leaving lower-income countries such as India and Pakistan struggling to meet their energy needs in the midst of deadly heat waves. High prices for natural gas, used to produce fertilizer, are also driving up food prices that were already rising because of disruptions in Russian and Ukrainian agricultural exports.

**SAFE AND SECURE**

These cascading emergencies demand a reevaluation of the lessons from the 1970s about the right balance between government involvement and market autonomy. Reliance on market forces has yielded enormous benefits over the last 40 years, making energy more affordable and accessible, increasing economic efficiency, and boosting energy security by enabling competitive pricing to shift supplies into markets where they are most needed. Today's crises, however, highlight certain market failures that can only be addressed with greater government intervention.

Three market failures in particular reveal the need for a bigger role for government in the effort to achieve the dual goals of enhanced energy security and a timely transition to net-zero carbon emissions. First, the private sector lacks sufficient incentives to build the infrastructure and other assets that most countries need to ensure their energy security. Second, market forces alone cannot encourage the building of the infrastructure required for a more orderly energy transition—infrastructure that by definition may be obsolete before private companies have achieved a full return on investment. And third, private firms and individuals lack strong enough incentives to curb emissions whose costs society bears.

The first of these failures has been painfully illustrated by Europe's vulnerability to the disruption of Russian energy exports. To achieve energy security, countries need a range of options for purchasing energy, a diversity of energy supplies, and adequate reserves in case of emergency—all of which require greater government intervention. Free markets often do a good job of ensuring that consumers have a range of options for sourcing energy. When supplies are disrupted in one location, whether by a natural disaster or political upheaval, free trade in highly integrated and well-functioning commodity markets allows buyers to find alternatives and thereby avoid shortages. (This practice was more difficult in the early 1970s, when oil was sold in long-term contracts rather than traded



globally as a commodity.) But as the current European energy crisis makes clear, switching to alternative energy sources for political, economic, or diplomatic reasons is only possible when the infrastructure—ports and terminals with excess capacity, for example—is in place to allow for the switch. The private sector lacks incentives to invest in such infrastructure because disruptions are unpredictable and private companies will not bear the full cost to society of the resulting dislocations. Governments therefore need to step in.

Lithuania is a case in point. Nearly a decade ago, the country built a floating liquefied natural gas terminal, aptly named “Independence.” The terminal allowed the Baltic state to reduce its dependence on Russian natural gas and negotiate better prices from Gazprom. But the commercial operation of the terminal alone would not have justified its costs, especially since it has often operated well below capacity. The terminal could be financed only thanks to loan guarantees and other forms of aid from the Lithuanian government, in addition to loans from the European Investment Bank. This decision to invest in energy security infrastructure is paying dividends today, enabling Lithuania to become the first European country to completely cease importing Russian gas after Putin’s invasion of Ukraine.

Germany is also looking to liquefied natural gas to reduce its dependence on Russian gas. Russia has long been Germany’s cheapest source of natural gas, leading Germany to gradually increase its imports from there and by 2021 to source more than half the gas it used from Russia. Now, to bring non-Russian gas into the country, Berlin has earmarked three billion euros to support the development of four floating liquefied natural gas import terminals. Businesses and consumers will have to pay more for their energy going forward, but the government will have created the infrastructure to enable a more diverse natural gas supplier base.

These moves by Lithuania and Germany build on recent efforts by the European Commission to ensure more competition in gas markets and provide direct funding for pipeline improvements and liquefied natural gas infrastructure—investments that private firms alone had little incentive to make. As a result, Europe’s natural gas market is more resilient today than it was when Russia cut gas flows in 2009.

Government-owned stockpiles such as the U.S. Strategic Petroleum Reserve are another tool for energy security that cannot be delivered solely by the market. (In Europe, many governments do not hold reserves but instead require companies to maintain above-normal levels of inventory.) Although such stockpiles can help ease shortages in a crisis, they also require infrastructure that private companies are unlikely to build on their own. U.S. President Joe Biden’s administration has released enormous amounts of oil from the Strategic Petroleum Reserve, for instance, but the government’s ability to release even more to calm global prices is limited by a shortage of available ports and terminals. In the past, such infrastructure constraints were uncommon. Yet the shale boom that made the United States a net energy exporter has dramatically increased demand for port space, which is now mostly claimed by the private sector. For government stocks to increase total global supply rather than simply displace private-sector barrels, additional ports and terminals are needed that may see limited use outside of energy crunches. Given that there is little commercial rationale for infrastructure that is only occasionally used, governments must play a role in developing it, as a major report by the Department of Energy recommended in 2015.

Governments may also need to intervene in energy markets beyond those for oil and gas. The critical minerals needed for a successful energy transition, such as lithium, nickel, and cobalt, are likely to be in short supply as electric vehicles become more prevalent and as solar, wind, batteries, and other forms of low- and zero-carbon infrastructure

proliferate. One answer would be to mine more of them. To date, U.S. companies have largely avoided producing and processing critical minerals because of the environmental costs associated with doing so and the easy availability of foreign sources. But having determined that several of these minerals are critical for national security, the Biden administration is now offering incentives to boost their domestic production. Additional government involvement may be needed, too. Private developers are understandably nervous about making large investments that could take a decade or more to pay off while major efforts are underway to find alternatives to these minerals or to commercialize their recycling. The U.S. government might consider guaranteeing such markets, as it did for COVID-19 vaccines, to ensure the production of critical minerals on a larger scale.

Government intervention to enhance energy security need not be limited to subsidies, tax breaks, and other incentives. Diplomacy, too, can help secure adequate energy supplies in a crisis. When Europe faced natural gas shortfalls last winter, for example, the United States sent envoys to Japan and South Korea, among other places, to persuade them to forgo some natural gas cargoes that could then flow to Europe instead. The United States also encouraged Qatar to allow its gas to be sold to European buyers, third-party transactions that were often prohibited by destination clauses in long-term contracts.

### **TIMED OUT**

The second market failure that necessitates government intervention in energy markets stems from the relatively short time frame that the world has to achieve its climate goals. New oil and gas assets that are needed to ensure energy security during the transition may need to be retired before the companies can pay their investors back. After all, what company would risk capital to keep the lights and heat on in the near and medium term while policymakers make increasingly ambitious pledges to render

the necessary infrastructure obsolete? To the extent that any companies are willing to make those investments, they should not have to bet against the world's ability to reach its climate goals. Moreover, such investments should not create obstacles to climate action by strengthening economic forces that oppose faster progress because they have vested financial interests in today's energy system.

Creative policymaking can help meet today's energy needs without undermining tomorrow's energy transition. Governments might, for instance, designate certain types of oil and gas installations as "transition assets" and take a more active role in helping private companies build them. Assets such as regasification terminals and pipelines that are needed today but are at risk of being stranded if the goal of net-zero emissions is achieved by 2050 might also be required to be "transition ready"—that is, built equipped for carbon capture technology or for low-carbon fuels such as hydrogen and ammonia—and governments might bear some of the additional costs in the early years.

Alternatively, governments could develop innovative tools to plan for obsolescence. For instance, they might favor the permitting of hydrocarbon infrastructure investments with shorter payback periods, condition that permitting on having a right to pay to wind down the asset after a specified time, or shorten the payback period by lowering the cost of capital for private firms in exchange for the right to retire the asset after the investment yields a certain return.

Governments will need to take great care in adopting such policies. They should be limited to hydrocarbon projects deemed necessary for near-term energy security needs. And they should favor projects with more versatile uses, such as those that can deliver clean energy or might redirect energy to other destinations. Moreover, policymakers must carefully assess what components of the oil and gas industry are really suitable for

transition-ready projects, so that untested claims that some oil and gas projects can be “hydrogen ready,” for example, do not become a loophole for companies to exploit. Finally, governments should require project developers to meet the strictest emissions standards—for methane leaks, for example—so that infrastructure can have the smallest carbon footprint possible.

### **OWN THE PROBLEM**

The third market failure that necessitates greater government intervention in the energy market is by now the most familiar: private firms and individuals do not bear the full costs to society of the carbon and other pollutants they emit. Governments must therefore require producers and consumers to “internalize” these costs, through carbon pricing or other mechanisms. Stronger government climate policy, including carbon taxes, subsidies, mandates, and standards, is necessary to achieve rapid reductions in carbon emissions. As the most recent report from the UN Intergovernmental Panel on Climate Change made clear, time is running short to avoid the most severe consequences of climate change. If emissions are not slashed immediately, it will not be possible to limit the rise in global temperature to 1.5 degrees Celsius, the threshold above which the worst environmental, health, economic, and other effects will occur. And as the impacts of climate change become more frequent and severe, the urgency of government action will grow.

Market forces alone cannot deliver a sufficiently low-carbon economy. Without greater government intervention, real and anticipated shortages of natural gas will translate into greater coal use, for instance, as the current crisis has already demonstrated. This may have been an acceptable response to energy insecurity in the 1970s, when G-7 countries committed to ramping up coal production and trade in the face of oil shortages. But as the most carbon-intensive fuel, coal is no longer an appropriate alternative, even if it is a workable substitute for Russian gas.

The problem of dirty fuels replacing cleaner ones in times of upheaval also highlights an even greater challenge: that of delivering low-carbon energy to developing countries whose need for energy is growing rapidly.

Developed countries will need to help make private investment in low-carbon energy for developing countries less risky. To achieve net-zero emissions by 2050, more than 70 percent of the clean energy investment in developing and emerging markets must originate from the private sector, according to the International Energy Agency. Governments must do more to help mobilize that capital. For example, institutions such as the World Bank and the U.S. Development Finance Corporation could lend to local banks at affordable rates, finance projects in local currency, and expand the availability of loan guarantees. These institutions could also lend to project developers directly. Capital from development finance institutions can go a long way toward spurring private investment.

The good news is that in the long term, many of the government actions needed to reduce emissions—in particular by reducing demand for oil and gas—will also boost energy security. That is in part because energy security comes not just from producing more oil but from using less of it. Fifteen years ago, the United States imported two-thirds of the oil it consumed; in 2021, it exported more oil than it imported. Yet Americans remain just as vulnerable to gasoline price hikes when global oil supplies are disrupted. Households in Europe would similarly be more secure if they consumed less natural gas, either by using substitutes or being more energy efficient. Here, too, there is a role for government: public information campaigns and incentives for efficiency-related investments can help drive the technological and behavioral changes needed to conserve energy during crises.

## **EUROPE'S 9/11**

A more expansive role for government is likely to be a defining feature of the new global energy order that will emerge from the Russia-Ukraine

crisis. And just as greater government intrusion into energy markets had profound economic, political, and geopolitical ramifications in the 1970s, such activity will be transformational today—although not in a negative way, if done right. Structured and managed properly, greater government engagement in the energy and climate realm can help smooth the volatility of markets, mitigate the risks that will inevitably arise from the energy transition, and shorten the path to net-zero emissions.

To the extent that they enhance energy security, for instance, well-crafted government policies can reduce the risk of populist backlash, such as France’s “Yellow Vest” protests, against climate initiatives. By the same token, more options for sourcing energy will diminish the geopolitical leverage that may accrue to traditional oil and gas producers in the short term, before the energy transition is complete. As we warned in these pages earlier this year, if Western governments leave these decisions to the market, low-cost suppliers such as Russia and the Arab Gulf countries will end up producing a greater share of the world’s oil and gas during the multidecade period in which consumption falls but remains substantial. This dynamic could be particularly problematic if pressures to curb fossil fuel investment lead to a decline in production by Western energy firms even as demand rises or plateaus. But if Western governments can facilitate investment in transition assets, over time they can reduce both carbon emissions and dependence on traditional producers that may exploit the transition for their own economic and geopolitical benefit.

Government efforts to secure financing for clean energy projects in emerging markets can also reduce another set of risks: those stemming from the growing rift between developed and developing countries. In the absence of such measures, the resentment of poor and middle-income countries toward rich ones that refuse to finance fossil fuel projects in the developing world—even as they scramble to secure more oil and gas to offset their own losses from the current crisis—will continue to build,

compromising cooperation not just on climate change but on other critical issues such as pandemic preparedness, conflict resolution, and counterterrorism. That the burden of a warming climate falls disproportionately on the very countries that have the least responsibility for global emissions only exacerbates their rancor.

Most important, government intervention to accelerate the reduction of carbon emissions can prevent some of the climate change outcomes that have the worst geopolitical and security implications. As the U.S. National Intelligence Council concluded last year, climate change will amplify strategic competition over the Arctic, stoke conflict over water resources and migration, and potentially spark new kinds of geopolitical disputes as countries unilaterally test and deploy large-scale geoengineering initiatives. The emissions reductions needed to prevent these outcomes cannot be achieved without government action.

Certainly, greater government intervention in energy markets is not always desirable. As the U.S. experience in the 1970s showed, governments that go too far toward national planning or unconstrained industrial policy will squander the many benefits of the free market. To be successful, policymakers must narrowly tailor their policies toward specific market failures. As Alexander Hamilton wrote, “In matters of industry, human enterprise ought, doubtless, to be left free in the main; not fettered by too much regulation; but practical politicians know that it may be beneficially stimulated by prudent aids and encouragements on the part of the government.”

Some European countries have already gone too far in their response to the present crisis. Spain and Portugal have approved caps on natural gas prices that are just a fraction of the market price. Some Democrats in the U.S. Congress have proposed a measure that would prohibit price



increases during national energy emergencies declared by the president. As recent history suggests, such price controls will be counterproductive.

In taking a more active role in energy markets, governments must resist the temptation to direct their energy sectors in the ways that those with nationally owned companies do. The U.S. government, for example, allocates permits to companies that wish to export natural gas, but it does not direct where that gas goes—market forces do. A more active role for government that favors some countries over others risks politicizing the energy trade and reducing the ability of global markets to allocate resources efficiently.

Governments must also be careful about relying too heavily on energy diplomacy, especially that which seeks to influence what should be market-based decisions about buying and selling energy. Recent American efforts to free up supplies of liquefied natural gas for Europe by discouraging Asian purchases were justified in a crisis, but caution should be exercised going forward. Injecting politics into otherwise commercial matters risks undermining the faith of U.S. trading partners in the sanctity of long-term contracts, which could ultimately hurt U.S. companies, undermine investment, or risk retaliatory efforts to politicize trade in other goods and services.

Also risky are aggressive government efforts to achieve energy security by disconnecting from the global energy economy. Some members of the U.S. Congress, noting that the United States now exports more energy than it imports, advocate curbing U.S. exports of oil and gas in order to meet American energy needs first. Such actions would likely backfire, undermining energy security as well as free trade. Diversifying supply by stimulating domestic production of key commodities can bring benefits, but so too does integration into a well-supplied and flexible energy market. Energy self-sufficiency may seem like a route to security, but it

would be highly inefficient and impose unnecessary costs. It would also leave the United States without the necessary global energy linkages to meet demand in the event of a future crisis or dip in U.S. shale production.

Finally, governments must avoid inflaming domestic partisan divisions, which in the United States are already deep with regard to the question of the role of government. In the years to come, a growing number of legislative proposals aimed at boosting energy security, smoothing the transition to net-zero emissions, and coping with climate change promise more political flash points and partisan wrangling. American leaders must therefore make a concerted effort to build a bipartisan and broad-based coalition in support of these measures, one that includes everyone from environmentalists to the oil and gas industry. Another coalition of strange bedfellows existed two decades ago, before the shale boom, when the United States imported huge quantities of oil from sometimes unstable regions that posed a national security threat. A broad spectrum of interests, each motivated by different arguments, pulled together then to push the United States to consume less oil. Today, a similar coalition could be built around the need for an integrated strategy that ensures both climate security and energy security.

Europe has called the Russian war in Ukraine its 9/11. The terrorist attacks of that day brought about a new security order that dominated the international landscape for 20 years and is still a dominant feature of world affairs. One legacy of the Ukraine war will be a new energy order, originating in Europe but radiating to the farthest reaches of the global economy. It will be defined by the dual imperatives of energy security and climate action. Pursuing them at the same time, without allowing one to compromise the other, will require harnessing the power of markets. But it will also require a much more expansive role for government to leverage, shape, and steer those markets, correcting the failures thrown

into sharp relief by today's crisis. Without government intervention, tailored and restrained but nonetheless increased, the world will suffer a breakdown in energy security or the worst effects of climate change—or both.

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