# Congress of the United States

Washington, DC 20510

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Fatih Birol, Ph.D.
Executive Director
International Energy Agency
9 rue de la Fédération
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France

Dear Dr. Birol:

We are writing to you because we are concerned that the International Energy Agency (IEA) has strayed from its core mission—promoting energy security.

Indeed, we would argue that in recent years the IEA has been undermining energy security by discouraging sufficient investment in energy supplies—specifically, oil, natural gas, and coal. Moreover, its energy modeling no longer provides policymakers with balanced assessments of energy and climate proposals. Instead, it has become an "energy transition" cheerleader.

Until recently, the IEA has served as a valuable source of reliable information on the security of oil markets, and it has provided a mechanism whereby oil-consuming countries can respond effectively to oil shortages. The IEA also provides global energy forecasts as part of its mission. As you have noted, IEA forecasts have a tremendous influence on shaping how the world sees future energy trends. Consequently, the IEA must conduct its energy security mission in an objective manner. We believe the IEA is failing to fulfill these responsibilities.

By its own admission, the IEA has placed greater emphasis on "build[ing] net-zero emission energy systems to comply with internationally agreed climate goals." Climate change is an extraordinarily complex issue deserving IEA's attention. Excessive focus on an "energy transition," however, has led the IEA to veer away from objectively informing and educating policymakers and toward promoting an agenda with little regard to its implications for economic growth and energy security. Sadly, French President Macron's recent observation that IEA has become the "armed wing for implementing the Paris Agreement" is true.

The IEA's May 2021 *Net Zero Roadmap*, for example, is long on aspiration but short on the things that matter most to policymakers: objective analysis of energy flows, trade patterns, security impacts, and economic effects. These deficiencies severely undermine its usefulness. We are disappointed that a similarly one-sided attitude afflicts the IEA's annual *World Energy Outlook* (*WEO*), which seems more intended on modeling highly aspirational peak demand and similar "backcast" scenarios at the expense of more realistic and objective forecast scenarios.

These shortcomings harm the IEA's reputation for impartiality. Press and policymakers routinely draw conclusions from IEA's products, which recommend that investment in new oil and natural gas projects must stop immediately—a deeply misguided and troubling position for an organization founded to address the security of oil markets. In fact, last year you told the *Financial Times* that, "Looking at the world today or tomorrow, no one can convince me that oil and gas represent safe or secure energy choices for countries and consumers worldwide."

It should disturb you that biased parties are exploiting the IEA's forecasts and other products to advocate for policies that undermine energy security. Last month, your former deputy at IEA, David Turk, now Deputy Secretary at the U.S. Department of Energy, justified President Biden's decision to "pause" the permitting process for U.S. liquefied natural gas (LNG) exports on the basis of IEA forecasts rather than the forecasts of the Department's own Energy Information Administration (EIA). We find Deputy Secretary Turk's decision to rely largely on IEA's outlier forecasts—instead of EIA's forecasts—when discussing world demand for natural gas to be deeply troubling. President Biden's decision to stop approving LNG export permits could have devastating consequences on the future supply of U.S. LNG to developing countries who will experience decades of robust growth in natural gas demand. That is why people across the American political spectrum have condemned the President's decision as reckless.

Like the EIA, respectable energy modeling organizations—including the Institute for Energy Economics in Japan, BP, ExxonMobil, and the Organization of Petroleum Exporting Countries—show in their reference cases that world demand for natural gas will continue to grow through 2050, ranging from about 20 to 47 percent growth from 2020 to 2050. These results compare to just 4 percent growth for IEA's Stated Policies Scenario (STEPS) and an astonishing 40 percent *decline* for IEA's Announced Policies Scenario (APS) over the same period, with demand peaking sometime around 2030.

Considering that U.S. LNG is exported to a global market *outside the United States*, it is worth pointing out that other organizations expect natural gas demand outside the United States to jump between 30 percent and 55 percent from 2020 and 2050. In contrast, IEA's STEPS shows 2050 demand increasing just 15 percent from 2020 levels outside the United States (although as recently as the *WEO* 2021 STEPS it was 38 percent). Moreover, IEA's APS suggests there will be a 31 percent *decline* in natural gas demand outside the United States from 2020 to 2050.

When Deputy Secretary Turk was asked at a hearing before the Senate Committee on Energy and Natural Resources about these other forecasts, which show much more robust natural gas demand growth, he replied that "[a]ll of those scenarios are also reference case scenarios." He went on to say that "[t]hose scenarios are not on track for where we need to be for achieving our climate objectives." Put plainly, he ignored the reality of world energy markets while indulging in the wishful thinking that permeates IEA's APS and Net Zero Emission by 2050 Scenario (NZES).

To defend the indefensible, the Biden administration trots out its ostensible fear that more LNG export capacity may be built than is needed. The basis of that fear is the IEA's unrealistic modeling. Decisions about future LNG export capacity should be left up to market participants

and investors, not politicians or bureaucrats. It is highly concerning that politicians are using the IEA's biased modeling to make highly controversial decisions that undermine world energy security.

These developments also call into question your decision to stop issuing a neutral Current Policies Scenario (CPS), or reference case, which is common practice for modeling groups, including EIA and its *Annual Energy Outlook*. To our knowledge, you have never publicly explained the decision to abandon the CPS. Reference cases are a valuable tool for evaluating energy related policies. The lack of a CPS makes such assessments significantly more difficult.

In light of the importance that the Biden administration has placed on the IEA's forecasts of natural gas demand—and the enormous implications President Biden's "pause" on LNG export approvals could have on the world's energy security—we seek a better understanding of IEA's recent work. We, therefore, ask that you promptly respond to the following questions:

1. The IEA ceased publication of a neutral reference case CPS in 2020.

    (a) Why did the IEA depart from decades of modeling convention and cease to publish a policy-neutral CPS?

    (b) Were stakeholders given the opportunity to weigh in on the pros and cons of this decision? If so, how were they given that opportunity?

    (c) Does the IEA agree that a baseline reference scenario that assumes only policies in place is a valuable tool for policymakers? If not, why?

    (d) Will the IEA reconsider its decision to abandon its CPS? If not, why?

2. There seems to be some confusion whether or not IEA's STEPS is a reference case scenario. Your 2020 *WEO* specifically warned against taking STEPS "as a baseline or reference case." In 2024, however, the IEA apparently backtracked this position: "STEPS for us is the baseline."

    (a) Is the position taken in the 2020 *WEO* STEPS—that the scenario is in fact *not* a reference case—still the IEA's position?

    (b) If the IEA's position has changed, please explain why it has changed.

3. The IEA's description of its APS says that it "assume[s] that all governments will meet, in full and on time, all of the climate-related commitments that they have announced . . . ." It goes on to say that "[s]ince most governments are still very far from having policies announced or in place to deliver in full on their commitments and pledges, this scenario could be regarded as giving them the benefit of the doubt, and very considerable progress would have to be made for it to be achieved."

(a) Are "most governments . . . still very far from having policies announced or in place to deliver in full on their commitments and pledges"?

(b) In your view, how likely is it that all or even most governments will deliver on their announced pledges?

(c) Do you think it is reasonable to assume that governments will meet their pledges fully?

(d) As you analyze national and international climate polices over the past five years, would you say that they are becoming more or less stringent *as implemented*? Please consider in your response not only the text or goals stated in the legislation, but also how governments are implementing and enforcing them.

4. Many countries have made their pledges conditional on government-to-government financial assistance from developed countries, including the United States. The International Monetary Fund has said that "[t]he path to net zero by 2050 requires low-carbon investments to rise from $900 billion in 2020 to $5 trillion annually by 2030. Of this figure, emerging and developing countries (EMDEs) need $2 trillion annually, a fivefold increase from 2020." Others have arrived at similarly large estimates.

   (a) Do you think it is realistic to assume in APS that developing countries, where virtually all of the emissions growth is occurring, will meet their conditional pledges?

   (b) In APS, how much financial support does the IEA assume developed country governments will provide developing counties for the purpose of meeting their conditional pledges by 2050?

5. Forecasts of natural gas demand, especially outside the United States, from EIA, the Institute of Energy Economics of Japan, BP, ExxonMobil, and the Organization of Petroleum Exporting Countries all show large increases for decades to come.

   (a) Do you agree that these organizations are competent to develop and run energy forecast models?

   (b) Do you agree that the consensus is that natural gas demand outside the United States will increase significantly between now and 2050?

   (c) Are the modeling results that these organizations have presented credible?

   (d) What explains why IEA's STEPS demand forecast for natural gas is so much lower than those from these other organizations?

6. The forecast range of natural gas demand outside the United States in 2050 from the highest forecast (EIA's International Energy Outlook 2023 High Economic Growth case) and the

lowest forecast (IEA's APS) is roughly 3,600 billion cubic meters. That amount exceeds the world's current natural gas demand. With such a wide range of forecasts, is it analytically sound to pick an outlier scenario because it fits a policy preference or is it better to accept that there is a broad range of possible future outcomes?

7. The different scenarios in the IEA's *WEO* all assume the same level of GDP throughout the analyses.

   (a) Is it reasonable to expect that world's GDP will be the same under such extremely different circumstances?

   (b) It would appear that world's GDP is a model input. Is that correct? If not, please explain how GDP can be the same across different scenarios.

   (c) Do you think it is useful for policymakers to have estimates of the economic impacts of different scenarios? If not, why not?

8. In the 2023 *WEO* and in earlier *WEO*s, different IEA scenarios show vastly different levels of industrial production. *WEO* 2023, for example, shows production of chemicals, steel, cement, and aluminum in 2050 anywhere from 9 percent to 20 percent lower in the APS and NZES than in the STEPS. GDP, however, remains constant across all of the scenarios. Do you think this is a credible approach to estimating future worldwide GDP under different scenarios?

9. It is important that policymakers and stakeholders do not confuse aspirational climate-outcome centered scenarios that employ optimistic assumptions with a reference case forecast that assumes only current policies in place. Are IEA's STEPS, APS, and NZES modeled as forecast scenarios or backcast scenarios?

10. It has been widely reported that the IEA recommends the immediate halt of all new investment in oil and natural gas production.

    (a) Please clarify whether the IEA recommends an immediate halt in all new greenfield and brownfield investment in oil and gas projects.

    (b) Please clarify whether the IEA *recommends, implicitly or explicitly,* that new greenfield projects should not be permitted.

11. All IEA forecast scenarios show the world's petroleum demand peaking by 2030.

    (a) Does the IEA recommend that governments act on this forecast and begin limiting access to crude oil resources?

    (b) Many modeling outfits have produced reference cases showing petroleum demand increasing out to 2050. Do you agree that if forecasts of rising demand are accurate, limiting access to crude oil resources could result in shortages and price spikes?

(c) Is the IEA worried that its influential peak demand forecasts might contribute to an economically painful energy crisis that the IEA itself was created to prevent?

12. Who is in a better position to assess the future market for U.S. LNG: modelers and bureaucrats or project developers risking billions of dollars?

13. How much United States government funding has the IEA received in each of the last 10 years?

14. For each year over the last 10 years, what share of total IEA funding did the U.S. support comprise?

15. Please provide a line-item breakdown of all IEA expenditures, and the U.S. share of those expenditures, by functional area, such as emergency preparedness, data gathering, forecasting, travel and other overhead, etc. Please show the evolution of each line item over the last 10 years.

16. Please explain why the IEA does not make its data, methodologies, and assumptions publicly and freely available, as the EIA does.

We would appreciate a timely response to our questions. You may contact Mr. Stephen Eule (steve_eule@energy.senate.gov) or Mr. Brandon Mooney (Brandon.Mooney@mail.house.gov) if you need any clarification on our inquiry.

We look forward to continuing a productive relationship with the IEA.

Sincerely,

John Barrasso, M.D.
Ranking Member
U.S. Senate Committee on Energy and Natural Resources

Cathy McMorris Rodgers
Chair
U.S. House Committee on Energy and Commerce