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Future Trends Series - GR:REEN Project

Title of the report

Resources Futures

Area

Energy and environment

Reporter

Chatham House

Type of the Reporter

Think tank

Periodically updated?

No

First issued year

2012

Latest update

/

Official website

<http://www.chathamhouse.org/>

Language available

English

Short summary

In this report, the range of critical constraints and uncertainties faced globally, and the implications for future policies and political agendas are explored. "The report builds on the findings of a study prepared for the National Intelligence Council (NIC) in early 2012 assessing the impacts of natural resources on US national security by 2020, 2030 and 2040".

The report "focuses on the new political economy of resources. It analyses the latest global trends in the production, trade and consumption of key raw materials or intermediate products and explores how defensive and offensive moves by governments and other stakeholders are creating new fault lines on top of existing weaknesses and uncertainties".

"The world is undergoing a period of intensified resource stress, driven in part by the scale and speed of demand growth from emerging economies and a decade of tight commodity markets. Poorly designed and short-sighted policies are also making things worse, not better. Whether or not resources are actually running out, the outlook is one of supply disruptions, volatile prices, accelerated environmental degradation and rising political tensions over resource access".

- Average prices for agricultural commodities are set to rise. It is predicted that global demand for food will have increased by 70 to 100 percent by 2050.
- "Volatility in agricultural commodities markets will persist".
- Global food security will be threatened by climate change and extreme weather.
- New interdependencies and risks will be created by new trade flows.
- China's share of global metals consumption will increase from 40 percent to about 50 percent in 2020.
- Ore grades are and will continue to decline. "While iron and bauxite mining may remain stable, zinc, lead, and particularly copper and nickel will be affected by declining ore grades, as will precious metals such as gold and platinum".
- Some emerging economies are putting new export restrictions on a variety of metals and some are considering to do so. Some countries, especially India and China, might be affected harshly by these bans.
- "The last decade saw the share of global fossil fuel trade going to China and India more than doubling in value terms [...] and tripling in weight terms [...]. This trend will reinforce geostrategic interests between Asian consumers and energy exporters [...]"
- The next test case for unconventional gas development will be China instead of Europe.
- "With its expected increases in coal-fired power generation, India's demand is projected to be 20% of today's world coal trade and could overtake China's volume of imports after 2020".
- Global energy production and transportation systems will be more vulnerable due to heavier volumes of energy trade, extreme weather events, water stress and climate change.
- Energy and water provision will be increasingly interdependent.

Suggestions

● **Fostering new leadership**

"To galvanize innovative thinking and change the status quo, this report proposes the formation of a new club of the world's principal resource-producing and -consuming countries to fill existing governance gaps on resource and scarcities governance".

● **Reducing vulnerability to short-term shocks**

"Mechanisms to reduce the impacts of short-term commodity price shocks should be explored in existing international institutions or in newly formed groupings of governments".

"Guidelines on forgoing the use of export restrictions in times of commodity price crisis could be adopted as either an informal pledge or a plurilateral agreement at the WTO".

● **Investing in sustainable production and resilience**

"Clear policy incentives, government procurement rules, market creation schemes and pricing structures that reflect the full environmental and social impacts are needed at the national level to incentivize higher resource productivity and efficiency".

"The elimination of environmentally perverse subsidies must be a global priority; any multilateral plan of action will require a clear timeline, concrete support for poorer states to reform their resource pricing, as well as effective channels and fora to share experience and technical expertise".

"Water-sharing agreements at catchment level need to provide flexibility and adaptability against future environmental changes. Also important are efforts to strengthen collection and monitoring of water-related data. Donors should support the roll-out of drip irrigation in rural areas, as should investors in land transfers".

● **Reinvigorating rule-based resource governance**

"Criteria should be established (including for moratoria) to govern resource production or extraction in areas of significant biodiversity or ecological sensitivity, such as the deep sea or the Arctic, where effective mitigation efforts or remedies are not available or affordable".

"Extreme engineering options are likely to become increasingly popular in a resource-constrained world. For this reason, relevant ministries, businesses and industry associations should discuss and implement national or local governance mechanisms and best practice on extreme responses such as weather modification".

"An annual 'State of the World's Resources' report or an international resources data bank could be launched to standardize in a transparent manner the collection and sharing of data on resource endowments, stocks and trade figures. Such an initiative would benefit from parallel efforts, supported perhaps by charitable foundations, to increase the capacity of civil society and local communities and media to monitor resource usage and extraction at the local level".

Survey and research from secondary sources

Reference to other trends reports? If yes, which reports?

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