

**XVII VERONA EURASIAN
ECONOMIC FORUM**

**REPORT BY IGOR SECHIN
Chief Executive Officer
Rosneft Oil Company**

**FAREWELL TO ILLUSIONS
The energy world is in a Thucydides trap**

**Ras Al Khaimah, UAE
December 05-06, 2024**

SLIDE 1. Cover Page

1. Introduction

Dear participants and guests of the Forum!

I would like to express my gratitude for your participation in **the XVII Verona Eurasian Economic Forum**. I am confident that our meeting today will be as productive as all the previous ones.

I would like to thank His Highness President of the United Arab Emirates **Sheikh Mohamed bin Zayed Al Nahyan**, and His Highness Emir of **Ras Al Khaimah Sheikh Saud bin Saqr Al Qasimi** for creating excellent conditions for work. It is very symbolic that our meeting this time is held in this particular place, which is one of the **most ancient centers** not only of Eurasia, but also of all **mankind**, and which for more than **seven thousand years** has remained a junction of civilizations and cultures¹.

Under the leadership of the esteemed **Sheikh Al Qasimi** and thanks to political, social and financial stability, today **Ras Al Khaimah** is developing dynamically and **attracts investors** both from the **West** and the **East**. Experts of the S&P rating agency expect **GDP outstripping growth of more than 4%** over the next three years. Despite large-scale infrastructure construction, the **emirate's budget is in surplus**, which creates a significant margin of safety and makes it possible to implement ambitious projects².

Today **Ras Al Khaimah** is part of **the United Arab Emirates**, a leading player in the global energy market and the country where **the pulse of world trade is beating**, and where major financial flows are getting together, and where decisions are made that bear **key importance for the whole world**. I would like to take this opportunity to congratulate the participants of the Forum on the **53rd anniversary of the United Arab Emirates**, which is being celebrated this week.

I am pleased to welcome the participants in our discussion today, in particular, Minister of Industry and Advanced Technology of the United Arab Emirates and Head of ADNOC Dr. **Sultan Al Jaber**, Minister of

¹ Visit Ras Al Khaimah, History and Culture

² S&P Global, Ras Al Khaimah Upgraded To 'A/A-1'

Economy of the United Arab Emirates **Abdullah Bin Touq Al Marri**, Minister of Oil and Environment of Bahrain **Mohamed Bin Daina**, Executive Director of Reliance Industries **Panda Madhusudana Shiva Prasad**, Minister of Economy of Azerbaijan and Chairman of the Supervisory Board of SOKAR Company **Mikayil Jabbarov**, Chairman of the Board of Directors and Chief Executive Officer of ONGC Company **Arun Kumar Singh**, President and Chairman of the Management Board of VTB Bank **Andrey Leonidovich Kostin**, long-time Head of the International Energy Agency and an acknowledged global energy expert **Nobuo Tanaka**, President of SOKAR **Rovshan Najaf**, Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs **Dmitry Alexandrovich Pumpyanskiy**, Chief Operating Officer of Itochu Corporation **Tetsuya Yamada**, Chief Executive Officer of Manpower Projects **Donald Morema** and Senior Partner of this company **Ratshitagangga Tshilidzi**, and President of the Association “Conoscere Eurasia” **Antonio Fallico**.

I would like to give my special thanks to the moderators of our panel session, an Academician of the Russian Academy of Sciences and President of the Institute of World Economy and International Relations of the Russian Academy of Sciences **Aleksandr Aleksandrovich Dynkin** and Mr. **Alessandro Cassieri**, a leading expert analyst of the most influential Italian TV channel “RAI”, and to express the hope for a fruitful discussion.

SLIDE 2. Disclaimer

At the beginning of my speech, I certainly should mention a disclaimer, because my speech contains evaluative and prognostic statements.

SLIDE 3. Global energy system is at the heart of modern life

The topic of our discussion today is "**Farewell to Illusions**". It should be clarified at once who should bid farewell to what illusions in the very near future.

Today it is already obvious that the **US** has failed to exercise its assumed authority of a leader and has not provided the necessary conditions for maintaining a just world order. It is also obvious that the US has allowed the loss of **leadership in the scientific, technological, industrial and financial spheres**, which was hard to imagine yet 20-30 years ago.

It resulted in the decrease of the United States dominance in the **economy and trade**. The formerly unquestionable influence of the US on the world **political** processes is eroding as well. As a result, nowadays using its **status as a global hegemon**, the US bets heavily on **creating special conditions** for its economy at the expense of other market players, including its allies.

We can see the consequences of such US policy both in **Europe** and in **developing countries**. Conflicts are being deliberately escalated and created in the Near and Middle East, Ukraine, Latin America, and the Asia-Pacific region.

This situation was long ago described by the greatest ancient Greek historian **Thucydides**, who is regarded as one of the founders of historical science. In his work "**History of the Peloponnesian War**" he described a classic trap, which is that the hegemon's fear of the emergence of **alternative global centers of power** inevitably leads to war with them.

This **war** has already begun. It is developing differently on different theaters. Somewhere it is hot and somewhere it is hybrid: in the sphere of **technology, climate, finance, trade and culture**.

Unfortunately, today the **global energy** is no exception and has become one of the targets and tools of this hybrid war.

2. Global energy system is at the heart of modern life

I would like to note that the modern energy system is based on fossil fuel, which account for more than **80%** of all primary energy consumption³.

It was fossil fuels that made the global energy system **the basis of modern life**. Over the past **200 years**, the use of hydrocarbons has made

³ Energy Institute, "Primary energy consumption as of 2022", May 2024.

energy **more affordable**, which in turn, along with health care and human nutrition improvements, has increased life expectancy **from 30 to 70 years**⁴, and **the share** of world population living in extreme poverty has fallen from 90% to **10%**⁵.

The energy system today is a huge and complex organism. Here are just a few **numbers** to give an idea of its magnitude:

1. An average person consumes energy equivalent to **800 kg of oil equivalent** per year⁶.
2. **95%** of all **high conversion goods** are manufactured using products of oil and gas processing⁷.
3. Today there are more than **60,000 power plants** operating around the world, which provide energy to more than **six billion people**⁸.
4. Our planet's roads carry **one and a half billion cars** every day, and 98% of those run on traditional fuels⁹.

SLIDE 4. New energy sources will require the emergence of new technologies, new infrastructure and new consumer market

The modern energy system also has a number of **features** making it **indispensable** to human life:

1. Thanks to its **greater energy capacity and transportability**, fossil fuel at almost any moment can be delivered to places where it is most needed. For example, the amount of energy that can be moved 1,000 miles for one dollar is up to **4.4 megawatt-hours** for pipeline oil, up to **1.2 megawatt-hours** for pipeline gas, while for hydrogen it would be only **0.2 megawatt-hours**.
2. Following up on the studies of the great Russian scientist **Pyotr Leonidovich Kapitsa**, experts from McKinsey and scientists from

⁴ Our World in Data, Article How do we know the history of extreme poverty?, February 5, 2019

⁵ Our World in Data, Article The fight against global poverty: 200 years of progress and still a very long way to go, July 7, 2019

⁶ Vaclav Smil, Report "How the World Really Works: The Science of How We Got Here and Where We're Going," May 2022

⁷ Petrochemicals Europe, Article The journey of petrochemicals explained: from raw materials to 95% of all manufactured goods

⁸ McKinsey, Report «The hard stuff. Navigating the physical realities of the energy transition», August 2024

⁹ McKinsey, Report «The hard stuff. Navigating the physical realities of the energy transition», August 2024

Western universities have confirmed that fossil fuel also features **high energy flux density**. In this parameter **diesel** exceeds **hydrogen** by almost **30 times**¹⁰, and **gas** exceeds **wind and solar energy** by **270 and 70 times** respectively¹¹.

SLIDE 5. Energy efficiency of fossil fuel investments outpaces renewable power generation

3. Owing to these properties, the use of fossil fuel yields much **higher investment efficiency** measured in energy units. By this measure, **coal and gas-fired power plants** (energy return on investment being **30 and 28 times**) are more than 10 times more effective than subsidized **wind and solar electricity** (energy return on investment being about **4 and 2 times**)¹².

3. Energy demand will keep growing

SLIDE 6. Energy consumption in developed countries is times higher compared to the developing world

High efficiency of the modern energy system has entailed a **1.5-fold increase in global energy consumption** in the past **20 years** alone. Further growth will be underpinned by two main factors.

Today energy demand is growing in developing countries where **750 million people** still have no access to electricity at all¹³. At the same time, in the **US** energy consumption per capita is **three and a half times** higher than average consumption on the planet and **10 times** higher than in **India**¹⁴. And demand per capita **in Europe** exceeds the same indicator **in Africa** by almost 10 times¹⁵.

¹⁰ Liquefied natural gas: Understanding the basic facts, U.S. Department of Energy, 2005.

¹¹ J. van Zalk, P. Behrens, article The spatial extent of renewable and non-renewable power generation: A review and meta-analysis of power densities and their application in the U.S., December 2018

¹² D. Weißbach and others, article Energy intensities, EROIs (energy returned on invested), and energy payback times of electricity generating power plants, April 2013. Note: Estimates are used with account for energy storage capacities.

¹³ Statista.com, 2023 data

¹⁴ McKinsey Global Institute, report “The hard stuff. Navigating the physical realities of the energy transition”, August 2024

¹⁵ Our World In Data

In order to raise the standard of living in developing countries to at least half of the level of the "golden billion", **oil production will have to increase almost twofold.**

SLIDE 7. New technologies – a powerful driver of energy consumption

We also should not forget that global **energy consumption will be increasing** as demand from data processing centers continues to grow. Investment bank Goldman Sachs estimates that **global power consumption by data centers** could grow two and a half times by 2030 to more than **one thousand terawatt hours**, which would equal nearly **half of Europe's consumption**¹⁶.

SLIDE 8. Oil and gas will remain a cornerstone of global energy mix

Bank of America predicts that economic growth in developing countries and the development of data centers will lead to an **annual increase in energy consumption** of up to **9 million barrels of oil equivalent per day**, while the current global consumption is **300 million**. At the same time, renewable energy production may only grow by **2 million barrels** of oil equivalent per day next year. This means that **oil and gas** will continue to play a key role in the global energy security.

SLIDE 9. Structure of energy production by sources

Oil accounts for **more than 30%** of the global energy consumption, coal – 25%, gas – 22%, and it appears that we are still **far from the peak demand for the fossil fuel**¹⁷.

¹⁶ Goldman Sachs, Generational growth report, April 28, 2024

¹⁷ Energy Institute Statistical Review 2024

By **2035**, **J.P. Morgan** investment bank expects global oil demand to increase by nearly **6 million barrels per day**, driven by consumption growth in **India** and developing countries¹⁸.

SLIDE 10. Oil consumption forecasts depend on views on the “green agenda”

Longer-term forecasts vary greatly depending on the degree of bias of those who make them. We see that the industry, as a whole, forecasts **stable growth in oil consumption**, which could reach **up to 20 million bpd by 2050**.

SLIDE 11. Oil sector needs investments until 2050

The expected growth of oil demand makes **investments in oil production** particularly important. OPEC estimates that meeting the market demand will require an **increase of oil production investment by almost 50% to 550 billion dollars per year by 2050**¹⁹.

One should not forget that just to maintain oil production at the current level, about **11% of the global production must be replaced** annually. As conventional reserves are being depleted, the importance of **hard-to-recover oil**, whose production costs are significantly higher, is increasing.²⁰

SLIDE 12. Earth’s surface temperature is at a natural level

4. The necessity of “green” transition is not well-reasoned

Today we are being urged to **abandon fossil fuels**, with reference to **the human influence** on climate. Proponents of this theory omit the fact that **the last ice age** (the so-called Little Ice Age) **ended less than 200 years**

¹⁸ J.P. Morgan Bank, “Oil Demand 2035 – still no peak in sight” report, October 17, 2024

¹⁹ OPEC, World Oil Outlook 2050, September 2024. Note: in real 2024 prices.

²⁰ Rystad Energy, oil production forecast for 2025

ago, and the current warming period is a part of the natural environmental cycle. This is an issue we have considered earlier as well.

Let me remind you that this argument became the basis for the declaration “**There is no climate emergency**”²¹, which was signed by about **two thousand scientists from around the world**. Among them are **two Nobel Prize winners, John Clauser and Ivar Giaever**.

John Clauser, in his recent report on the effect of clouds on the climate of the Earth²² explains that **the strength of the Earth's natural thermoregulatory mechanisms** due to clouds (net negative feedback effect ranges from -7 to -14 W/m²/°C) is **many times greater than the estimate of proponents of the anthropogenic theory of climate change**²³ (net negative feedback effect is -1 W/m²/°C) and is much greater than the effect of greenhouse gases. Thus, the average contribution of anthropogenic influence on climate is a **tenth** of the influence of the Earth's natural thermoregulation mechanisms.

An analysis of the impact of such mechanisms shows that a **50% increase in atmospheric carbon dioxide** compared to pre-industrial times²⁴ can be responsible for an **average temperature increase of only 0.15 degrees Celsius**²⁵.

Moreover, research by Beijing University proves that the increased content of carbon dioxide in the atmosphere has a **positive effect on vegetation**. For almost 30 years of observations, the **70% increase in the leaf surface**²⁶ of the planet's vegetation²⁷ is due to the **effect of carbon dioxide fertilization**.

²¹ Climate Intelligence, World Climate Declaration ‘There is no climate emergency’, August 25, 2024

²² J. Clauser, The Irish Climate Science Forum and Climate Intelligence, The cloud thermostat is dominant climate controlling mechanism that stabilizes Earth’s climate; the IPCC catastrophe narrative is a myth, May 8, 2024

²³ Intergovernmental Panel on Climate Change (IPCC)

²⁴ From 280 particles per million in the pre-industrial period to 420 particles per million today

²⁵ R. Kalveks, The ‘Climate Emergency’ is a Myth, says Nobel Prize winner J. Clauser. Here’s why he’s right, June 8, 2024

²⁶ Measured by the leaf area index (LAI), which measures the ratio of a plant's leaf area to the surface area of the soil on which it is growing

²⁷ Nature Climate Change, Greening of the Earth and its drivers, Zhu et al. (2017)

SLIDE 13. Renewable energy sources` capacity has to grow by 10x by 2050 to achieve Net Zero. Is this feasible?

5. Energy transition requires restructuring of the real economy, not the virtual one.

The energy transition will require **restructuring or building components of the real, not virtual, economy from scratch:** infrastructure, technologies, supply chains and more.

For example, to achieve the set targets by 2050, **low-carbon power generation capacity will need to increase 10-fold to 35 terawatt**, more than four times the entire installed capacity of the world's energy system at present.

Increasing the share of renewable energy generation requires addressing in advance the challenges of grid stability, storage capacity and smoothing consumption peaks. It is for this reason and also due to the high cost of the renewable energy that **China**, the world's current leader in renewable generation, is simultaneously breaking records in the **commissioning of coal-fired capacity**. A leader in wind and solar power, this country has increased coal-fired generation capacity by more than **350 GW, or 45%** over the past 10 years

Experienced investors have returned **to coal**. In fact, we are witnessing the advent of a new **coal era**. For example, **Glencore**, one of the world's leading mining companies, **generated half of its operating income from its coal business** during the last two years.

Experts estimate that the **energy sector** will need more than **70 trillion dollars of investments** to achieve the goals of the Paris Agreement by 2050²⁸.

SLIDE 14. Released emissions from electric car production 35-50% higher compared to the production of an internal combustion engine car

It is generally believed that **electrification of vehicles** can substantially slow down climate change, as vehicles account for more than

²⁸ Climate Policy Initiative, Global Landscape of Climate Finance 2023 Report, November 2023

20% of all carbon dioxide emissions from the global energy system. However, when calculating emissions reductions, one should take into account, among other things, those that come from the **production of automobiles and their components**.

Experts estimate that today the level of emissions from the manufacturing of an electric car is **35-50%** higher than emissions from the manufacturing of a car with an internal combustion engine. The main difference in emissions comes from the making of **the battery pack, as well as steel and aluminum**. To meet the carbon targets of the Paris Agreement, **the emissions of the electric vehicle production chain must be reduced by 81%** by 2032, which is simply not possible.²⁹

SLIDE 15. Only substantial mileage allows for emissions savings

It should also be taken into account that the use of electric vehicles in the countries whose energy systems rely heavily on **fossil fuels** will only reduce emissions **if the mileage of the electric vehicle is very high**.

McKinsey experts estimate that for some models the mileage should be as much as **200,000 kilometers** to achieve emission levels comparable to an internal combustion engine. In countries **with a high share of coal-fired generation**, this figure **may go beyond 250,000 kilometers**.³⁰

Today, there are **1.5 billion** internal combustion engine **vehicles** on the roads around the world, which is a huge number. At the same time, **electric vehicle population** averages only **3%** of the level needed by 2050.

SLIDE 16. Buyers are disappointed in electric vehicles

By 2050, the world's **electric vehicle fleet** will need to grow more than 30-fold from 30 million **to one billion in order to meet carbon targets**. It is clear that **the electric car boom in the West is coming to an end**: due to

²⁹ Polestar, Rivian, AT Kearney, Polestar and Rivian pathway report, 2023 .

³⁰ McKinsey Global Institute, report “The hard stuff. Navigating the physical realities of the energy transition”, August 2024

the lack of demand, leading manufacturers are forced to sell at a loss, and in the US, the price for a used electric vehicle has fallen by **25%** in less than two years.³¹

This is because the building of additional generation capacity, networks and charging infrastructure is not synchronized with the vehicle fleet electrification and it has already become a headache for electric vehicle owners.

In the future, new electric vehicles will compete for access to electricity with data centers that will need more than **1 thousand TWh of electricity** as soon as 2030³².

SLIDE 17. Electrification of heavy-duty vehicles has not even started yet

An additional significant challenge should be the conversion of **cargo, air and waterborne transportation** to electricity. To achieve the energy transition targets, the number of electric trucks will have to increase more than **100-fold** to **over 40 million** by 2050³³. I don't think that's realistic.

Slide 18: Green dollar escapes “green” agenda

6. Popping of green energy bubbles

In real life, business votes with money, and the **“green” dollar runs from the “green” agenda like lightning.**

Over the last three years, Western stock markets' enthusiasm for the renewable energy sector **has been nearly waned.** Shares of **clean fuel** companies have fallen several times **in two years.**

The reasons for this attitude on the part of investors are the inability of green economy companies to achieve their goals on time, also because of

³¹ The Wall Street Journal, article Used EVs Sell for Bargain Prices Now, Putting Owners and Dealers in a Bind, October 14, 2024.

³² Goldman Sachs, Generational growth report, April 28, 2024

³³ McKinsey Global Institute, The hard stuff. Navigating the physical realities of the energy transition, August 2024

rising costs, delays in the release of government loans and lack of new financing.

Even oil giants such as **Chevron, BP and Shell** are halting alternative fuel projects. I am particularly happy about the refusal to produce aviation fuel from **used cooking oil**³⁴.

Denmark's largest energy company, **Ørsted**, cancels construction of a methanol plant due to low demand. And the Swedish company **Nortvolt**, which has failed to become the flagship of European **battery production**, declared bankruptcy. Even **15 billion dollars** of financing, part of which was allocated from the governmental budget, were of no help³⁵.

7. **The New Marshall Plan - a “green carrot and stick” for developing countries**

The frenzy artificially created around the climate change issue is already causing some blatant malpractice. Thus, according to the recent investigation held by the **Oxfam** international association, the **World Bank** failed to account for nearly **41 billion dollars** spent on climate change projects³⁶.

Entire states are also eager to make some money on the energy transition. For example, recently Foreign Affairs Magazine, one of the main voices of the US foreign policy, suggested combining the fight against the climate change with the promotion of US economic interests. The magazine has put forward the idea of **supporting “green” technologies in developing countries**, similar to the **Marshall Plan**³⁷.

After World War II, the implementation of the Marshall Plan allowed the US to support **American industry**, win **foreign markets**, and strengthen American **influence** in West European countries.

The new Marshall Plan suggests that in order to regain global leadership and technological sovereignty, the US should **oblige developing**

³⁴ The Wall Street Journal, Clean-Fuel Startups Were Supposed to Be the Next Big Thing. Now They Are Collapsing, August 2024

³⁵ Financial Times, Europe's great battery hope Northvolt fights for survival, September 19, 2024

³⁶ Oxfam, Climate Finance Unchecked report. October 17, 2024

³⁷ Foreign Affairs, The Case for a Clean Energy Marshall Plan, April 20, 2024

countries to purchase US technology and equipment for the **"green" transition** in exchange for US financial aid.

The US intends to stimulate its partners' desire to fight climate change with very strong arguments: countries that would refuse to promote **the US-centered "green" agenda** would have **to pay import duties**.

This confirms our point that the declared program of energy transition is in fact a **powerful covert sanctions barrier** for **88%** of the world population, for all those who are not part of the "golden billion".

It is no coincidence that the author of this plan is **Brian Deese**, former director of the US National Economic Council and a former employee of the well-known **Blackrock** Financial Corporation, which makes good money on "green" projects.

However, unlike Truman-era America, the current **United States is unlikely to be able** to implement such a program for a number of reasons. They are **no longer the leader in technology or global trade**. And the dollar has long since become a tool of the **sanctions** war.

SLIDE 19. The US is 15 years behind in clean energy research

8. The U.S. is losing leadership in high technology and industry

The **technology sector** is key in the race for leadership in the 21st century. At the same time, it is precisely where the **United States** is now rapidly **losing its primacy**.

As Russian President Vladimir Vladimirovich Putin recently pointed out: **"The United States is like 15 years late. It will not be able to stop China's development. It is impossible to do so, just as it is impossible to tell the sun: "Don't rise", it will rise anyway"**.³⁸

SLIDE 20. 70% of global "green" capacity is located in China

³⁸ Portal of the President of Russia, press release following the meeting with BRICS member countries' media, October 18, 2024

Advances in science have had a direct impact on the real economy as well. Today, it is **China**, not the United States, that holds over **70% of the world's** alternative energy equipment manufacturing **capacity**³⁹.

SLIDE 21. Boeing and Intel are in free fall

The failure of the US protectionist policy is obvious: for over 6 years after trade restrictions were imposed, US **industrial production has declined**⁴⁰, the share of industry workforce has fallen, and the **trade deficit**⁴¹ has grown significantly.

Despite impressive cash injections to support the manufacturing sector, only Tesla has its own manufacturing facilities in the United States among the top 10 largest U.S. companies by market capitalization.

Very illustrative here is the example of **Boeing** and **Intel**, two titans of American industry. Both companies are now in the deepest **crisis** and struggling to survive, with their market value **halved** in five years. The reason is simple: by prioritizing the goal of financial results improvement and reducing investments in new developments, companies **stopped being high-tech** and lost investor confidence.

SLIDE 22. 40% of new US “green” projects have been paused or canceled

The much ballyhooed **Inflation Reduction** and **CHIPS and Science Acts** were supposed to save the situation. However, as they say in such cases, **the ship has sailed!** According to the investigation by the Financial Times, during the first year of **the Inflation Reduction Act** operation, **40%** of declared projects were **paused or canceled**⁴².

SLIDE 23. United States lost its leadership in world trade

³⁹ Bloomberg, China Extends Clean-Tech Dominance Over US Despite Biden's IRA Blueprint, April 16, 2024

⁴⁰ According to the St. Louis Federal Reserve, by 1% since the end of 2017

⁴¹ U.S. Bureau of Economic Analysis (BEA)

⁴² Financial Times, Delays hit 40% of Biden's major IRA manufacturing projects, August 12, 2024

9. U.S. influence on world trade is decreasing

Over the past 25 years, the U.S. has also lost its primacy in **world trade**. Let me remind you that back in 2000, the U.S. was the largest trading partner for **80%** of the world's countries⁴³. Today, the situation has fundamentally changed: about **two-thirds** of countries have bigger trade turnover with **China** than with the US.

For decades, the U.S. has tried to strengthen its **leadership in trade** by any means necessary, including putting pressure on other countries through the **World Trade Organization (WTO)**. **Liberalizing international trade** under the auspices of the WTO allowed the U.S. to **maximize its productive potential**.

However, today, having failed to fully subordinate the WTO to its interests, **the U.S. has paralyzed the work of its Supreme Appellate Body** by blocking appointments of judges. This cannot but cause discontent of many countries, including U.S. allies⁴⁴.

It is noteworthy that in order to protect its own interests, the White House administration does not hesitate to take **unilateral measures that contradict WTO norms**. Such policies are vividly exemplified by the various **import duties** regularly imposed by the White House to protect U.S. producers.

Decrease in the U.S. influence on world trade leads to the **U.S. dollar** gradually losing its position as an international means of payment. **U.S. sanctions** play no small role in this.

It is worth recalling that the system of **world trade in commodities in dollars** emerged in the mid-1970s, after **the United States abandoned its obligation to back its currency with gold**. Under this system, exporting countries sell commodities for dollars and invest their savings in **dollar assets**.

⁴³ Merchant Machine, Watch China Overtake The US As The World's Major Trading Partner, December 8, 2023.

⁴⁴ The Guardian, Australia and China team up to protest WTO blockages caused by US vetoes on appeal body, December_24, 2022.

In the oil market, the concept of **petrodollars** emerged after the 1974 **agreement between the Kingdom of Saudi Arabia and the United States**, in which Saudi Arabia committed to investing oil proceeds in U.S. Treasuries in exchange for security guarantees⁴⁵. The direct involvement of **the U.S. Central Intelligence Agency** in efforts to attract capital from the Gulf States to the U.S. financial market⁴⁶. And in 1978, Saudi Arabia literally saved the U.S. dollar **from imminent devaluation** by reaffirming its commitment to pegging oil prices to that currency⁴⁷.

SLIDE 24: Citius, Altius, Fortius!

A **50-year agreement to pay for Saudi oil in dollars** came to an end this summer. However in practice it applies.

We are sure that this matter will be developed in the agenda of contacts between the new US administration and representatives of Saudi Arabia. In the meantime, the media believe that President-elect Trump and Yasir Al-Rumayyan, Chairman of **Aramco`**s Board of Director and Governor of the **Sovereign Fund of Saudi Arabia**, are discussing the development of golf. We will come back to this theme next year.

SLIDE 25. The gold currency exchange standard supported financial stability

10. The U.S. sanctions undermine confidence in the dollar

The Bretton Woods financial system created after the end of World War II was based on the **gold and currency standard** and ensured a **fair and stable economic world order**. For almost 30 years of functioning of this system there was **not a single major financial or banking crisis**, which was a unique phenomenon in history.

⁴⁵ Bloomberg, The Untold Story Behind Saudi Arabia's 41-Year U.S. Debt Secret, May 31, 2016.

⁴⁶ U.S. CIA Secret Report No. 8133/74, dated July 10, 1974.

⁴⁷ Telegram from U.S. Treasury Secretary M. Blumenthal to Saudi Arabian Finance Minister Mohammed bin Ali Abalkhail dated September 9, 1978.

SLIDE 26. Weakening trade balance caused gold outflow from the U.S.

However, by the end of the 1960s, countries in Europe and Asia had recovered from the effects of World War II and began to increase exports. This caused an **outflow of gold from the U.S.**, weakening of the U.S. dollar and, ultimately, the country's **refusal to provide the dollar** with its gold reserve. As a result, the **U.S. actions** led to the abolition of the Bretton Woods monetary system.

We are pleased to note the intention of US President-elect **Donald Trump** to protect **the dollar's** position. However, this contradicts the current **policy of the United States**, which prohibits the dollar's use with its sanctions.

SLIDE 27. The U.S. sanctions undermine confidence in the dollar

Over the past 20 years, we see that the United States has been increasingly **active in applying sanctions**: their number has already exceeded **15,000**⁴⁸. To impose sanctions, it is **not even necessary to bring charges and prove guilt**, which contradicts the basic principles of international law. Moreover, contacts with sanctioned parties are automatically equated with the commission of a crime.

Using the dollar as a **sanction tool** is a big mistake, because trade will never stop. Both **energy security** and **life in general** depend on it. Alternatives will always be found.

Continued restrictions on dollar settlements in world trade will increase the possibility of **applying national currencies** and developing new **universal instruments**. The main competitor of the dollar will be **gold**, which mankind has been using for settlement for thousands of years.

SLIDE 28. Is the dollar's status in jeopardy?

⁴⁸ Washington Post, How four U.S. presidents unleashed economic warfare across the globe, July 25, 2024

As reported by the World Gold Council, in the last three years alone, the **share of gold in the world's foreign exchange reserves** has grown by almost **8 percentage points** and has reached **20%**⁴⁹.

The solution offers itself. To relieve these risks from the dollar, it is necessary to stop using it as an **instrument of sanctions**.

We are confident that **understanding of how harmful** the sanctions policy is will come and the right decision will be made by reasonable people who understand the importance of the dollar as a global and national currency. As **Winston Churchill** said: “**Americans always find the only right solution after trying all the others**”⁵⁰.

11. The importance of the US dollar for world finance

SLIDE 29. US benefits from the dollar's status

Maintaining the dollar as the world's reserve currency would pay huge dividends for the entire U.S. economy. For example, **the cost of debt financing in U.S. dollars is artificially low**. McKinsey⁵¹ estimates that the U.S. receives **direct monetary benefits from the use of the dollar as a reserve currency** to the tune of about **\$100 billion** a year.

The intangible benefits are even more substantial. It is thanks to the status of the dollar that the U.S. has become the **world's financial center** and has **unprecedented freedom of action** in conducting its foreign policy.

SLIDE 30. US financial sector dominates due to production

Collapse of the Bretton Woods system has **disturbed the balance of power in the world**. Back in 1965, **Valéry Giscard d'Estaing**, the future president of France, called the dominance of the dollar an “**exorbitant privilege**”.

⁴⁹ The World Gold Council

⁵⁰ Quotes of famous people, quote by W. Churchill: “Americans always find the only right solution after trying all the others.”

⁵¹ McKinsey Global Institute, report An exorbitant privilege? Implications of reserve currencies for competitiveness, December 1, 2009.

The transition from the gold standard to **fiat** currencies, i.e. currencies not backed by gold and other precious metals, led to the **dominance of the financial sector in the U.S. economy** to the detriment of production. As a result, since 1970 the number of jobs in the U.S. manufacturing sector has fallen by **30%**, while the number of employees in the financial sector has almost **tripled**⁵². One could say that the governance of the state in the US was deliberately placed in the hands of **Wall Street players**, such as the **Blackrock** Corporation, which I have already mentioned.

12. U.S. government debt is spiraling out of control

SLIDE 31. US liquidity bubble is growing

The giant **liquidity bubble** led to a **transfer of wealth** from the real economy to **the financial sector**. Today, the value of U.S. financial assets is **6 times** the value of real economy assets.

SLIDE 32. US national debt is spiraling out of control

All this has led to an **uncontrolled growth of the US national debt**. Since March 2020 alone, the U.S. federal budget debt has grown more than in the previous **200 years**. As a result of this policy, last year the ratio of US government debt to GDP came close to **100%**. So far, we **have not seen any real steps to limit this growth**.

SLIDE 33. U.S. government debt spending is skyrocketing

Today, the U.S. national debt increases by **\$1 trillion every 100 days**. And the amount of interest payments on it doubles every five years and has already exceeded the cost of health care and defense. The rising cost of servicing the national debt forced the Federal Reserve to sharply cut the discount rate by half a percentage point in September of this year, despite the threat of inflation.

SLIDE 34. US social unfunded obligations worth \$75 trillion

⁵² Federal Reserve Bank of St. Louis, USA

The unfunded liabilities of major U.S. social programs look even more daunting than the budget deficit and national debt. For the U.S. **Social Security** system, the figure exceeds **\$20 trillion**, and for the **Medicare** health care program, it is more than **\$50 trillion**. Experts predict that these two organizations could face bankruptcy within the next ten years⁵³.

One of the goals of the new U.S. administration is **to reduce the budget deficit to 3% of GDP**⁵⁴ from today's 6.3%.

This requires **a reduction in government debt**, which apparently can no longer be achieved through market mechanisms. Obviously, the US will once again have to **use forceful methods**, such as **blackmail and direct threats**, in achieving its economic goals.

We can see that preparations for this are already well underway. Recently, **Scott Bessent**, the nominee for Treasury Secretary in the new U.S. administration, said that **import duties are a negotiating tool** and do not necessarily need to be imposed on those countries that are willing to meet U.S. interests⁵⁵.

Thus, the Trump team directly states that the slogan “**Make America Great Again**” will be realized at the expense of the rest of the world. In particular, at the end of November, Donald Trump promised to impose **25% duties on all goods** from **Mexico** and **Canada** and additional **10% duties** on goods from **China**⁵⁶.

Along with the Inflation Reduction and the CHIPS Acts, these moves are **part of the U.S. policy of forcing manufacturers to move production** to the country.

One of the most influential American analysts **Zoltan Pozhar** hypothesized⁵⁷ that under the threat of imposing total duties on all imports, the U.S. may try to impose **a new financial system** on the world. This

⁵³ The Heritage Foundation, The Road to Inflation: How an Unprecedented Federal Spending Spree Created Economic Turmoil, Report, September 21, 2023

⁵⁴ Market Watch, Possible Trump pick for Treasury lays out 3-point economic plan that calls for deregulation, lower deficit, June 8, 2024

⁵⁵ Bloomberg, Watch Scott Bessent Weighs In on US Election, Trump and Tariffs, July 17, 2024

⁵⁶ ABC News, article, Trump says he'll slap tariffs on Canada, China and Mexico on Day 1, November 25, 2024

⁵⁷ Ex Uno Plures, Zoltan Pozhar, Article Sequencing the Trump Reboot, November 7, 2024

system involves **converting all U.S. government debt into treasury bonds with maturity in a hundred years** and interest rates far below today's market parameters.

The **Mar-a-Lago agreement**, as it has been dubbed in the press⁵⁸, may in many ways repeat the infamous **Plaza agreement between the U.S. and its allies**, which contributed to the decline of the Japanese economy in the 1990s. Needless to say, the **U.S. policy of saving itself** may once again **drag** not only the developing world, but also the **closest allies** of this country **to the economic bottom**.

SLIDE 35. Developing countries are victims of US dollar dominance

13. The dollar as a weapon of mass destruction

The dominance of the United States in the world monetary system based on the use of fiat money led to a series of **debt and financial crises and lost decades** for several dozen developing countries.

The cause of these crises was the large borrowing of developing countries **in U.S. dollars and the subsequent devaluation of their national currencies**.

SLIDE 36. The Washington consensus boosted USD-denominated debt

The decisions that led to the crisis were made with the active participation, and often under pressure, of Western economists and international financial organizations under U.S. control, such as the **World Bank and the International Monetary Fund**.

It is worth noting that these organizations initially aimed to **stabilize the currency market and fight poverty**. However, then the so-called **Washington Consensus** emerged within their walls, which imposed **Western neoliberal fantasies** on developing countries.

SLIDE 37. Developing countries pay for the party

⁵⁸ Reuters, article China's woes make Plaza Accord 2.0 less outlandish, October 17, 2024

Experts estimate that over the past 45 years, the **redistribution of wealth from developing countries to developed countries has amounted to \$16 trillion dollars**⁵⁹. The so-called “**structural reforms**” that are underway in **Ukraine** under the auspices of the **IMF** and the **World Bank** are one of the vivid examples of this. The implementation of these reforms is a prerequisite for providing financial aid to Ukraine, which, in turn, is provided **against the pledge of strategically important assets, including farmlands**.

Several years ago, under **severe pressure from Western-controlled international organizations** and despite **widespread public protests**, Ukraine agreed to lift the moratorium **on the sale of farmlands**. Today, more than **9 million hectares** (about a third of **all cultivated areas**) are privately owned. Furthermore, there is only one Ukrainian company in the top ten of the largest landowners, the other **nine are registered abroad**⁶⁰.

Ukrainian agricultural businesses **owe billions of dollars to US and European financial organizations**. Their debt level is so high that if they default, their assets are likely to fall into the hands of the creditors.

Among the largest Western holders of Ukrainian farmlands and national debt are such well-known American financial giants as **Blackrock, Vanguard, NCH Capital, Kopernik Global Investors, BNP Paribas Asset Management, and the Saudi Arabian Public Investment Fund**.

Clearly, despite repeated promises, globalization driven by the US and its satellites has exacerbated inequality and failed to provide stability. **Karl Marx** wrote back in the day: “**Where there is equality, there is no benefit**”⁶¹.

However, the dollar's standing is unlikely to remain unchanged. Back in 1960, Belgian-American economist **Robert Triffin** predicted the **risks of the US dollar's dominance** in the long term outlook. In the “**Triffin's dilemma**” that he formulated, he drew attention to the fact that the dollar's role as an international reserve currency is impossible without a **constant deficit in the US balance of payments**, which maintains the liquidity of the

⁵⁹ Global Financial Integrity Foundation, a report: Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People , December 5, 2016

⁶⁰ The Oakland Institute, War and Theft: The Takeover of Ukraine’s Agricultural Land, February 21, 2023

⁶¹ Eksmo online magazine, 10 quotes from Karl Marx’s Capital

financial system and promotes economic growth in the world. An increase in the US balance of payments deficit, in turn, leads to a global excess of dollars and undermines confidence in the US currency, which directly threatens its status.

SLIDE 38. OPEC+ was able to protect producers' interests because of its market standing

14. Russia and its partners ensured stability on the energy market

Recently, **Russia** has been regularly accused without grounds of undermining the foundations of the energy market. However, over the past 10 years, it is our country and its partners who **have made the greatest contribution to stabilizing the global energy market**, often sacrificing their own strategic interests.

Let me remind you that in 2016, OPEC's share of the oil market fell to **36%**. It was at this point that Russia, together with its partners, created **OPEC+**, which had a **55%** share. This is what made it possible to **stabilize the market and protect the interests of producers**.

SLIDE 39. OPEC+ decisions supported the US shale industry

OPEC+ decisions to stabilize the oil market in 2016 and 2020 substantially supported **the US shale industry**. By that time, the U.S. shale producers had already blown away more than **300 billion dollars of their shareholders' capital and accrued debts of almost 200 billion more**⁶².

It was the **stabilization of the oil price** at a sufficiently high level that allowed US companies to pay off debts, increase production, invest in R&D, and turn the US into an **energy powerhouse and a leading energy exporter**.

Taking advantage of the situation, the five largest Western oil and gas companies increased shareholder payouts by more than **\$100 billion** from 2017 to 2023 compared to the previous seven-year period.

⁶² The Energy Institute of Southeastern Europe with reference to Financial Times, article: US Shale Oil Industry Hit By \$30bn Losses, September 7, 2015

The favorable **political factors** should render further **support** to American energy sector. Let me remind you that President-elect Trump promised to strengthen the position of US oil and gas. In order to achieve this, he plans to **lift restrictions on hydrocarbon production and the construction of LNG plants**.

Scott Bessent, who I have already mentioned, recently stated⁶³, that the success of Donald Trump's second presidential term requires, among other things, bringing **additional three million barrels per day of oil production capacity to the market**.

But these additional barrels may come to the market not only from the US. I would like to remind you that the OPEC+ production cuts have created significant **spare capacity** in the market. As we have previously stated, these phantom barrels can be **used for political purposes**.

SLIDE 40. Russia owns a unique resource base.

15. Russia is a global treasure trove of resources and Eurasia's energy security guarantor

The same mistake as using the dollar as a sanctions tool is the policy of **forcing Russia out of the energy market**, which will inevitably lead to **the world economy collapse**.

With its **huge and diverse resource base**, Russia occupies a special place in the world. The **aggregate value of our country's natural wealth** is **100 trillion dollars**, which is almost **twice as much** as that of the United States. This imposes a **huge responsibility** on our country.

It is namely this **unique resource base** that ensures the **reliability of our supplies** to foreign partners in the long term. In recent years, a special role in the development of Russia's resource potential belongs to **the Arctic**. This region can rightfully be called a **treasure trove of energy resources** not only for Russia, but also for the whole world.

⁶³ Market Watch, Possible Trump pick for Treasury lays out 3-point economic plan that calls for deregulation, lower deficit, June 8, 2024

Let me remind you that today the Arctic contains more than **20%** of the planet's undiscovered oil and natural gas reserves⁶⁴. At the same time, the Russian Arctic holds **80%** of the world's Arctic oil and gas reserves⁶⁵. I think it is necessary to emphasize that the Arctic should be completely **free of conflict and foreign interference**, given the strategic importance of this region for the energy security of all Eurasia.

SLIDE 41. Final slide

16. Final part

Our discussion today is devoted to the **Eurasian space**, where the specifics of integration processes and national interests are built on trust, respect and continuity.

I am convinced that the potential of our cooperation is enormous, and we are only at the beginning of its implementation. As His Highness Sheikh **Zayed Al Nahyan**, the first President of the United Arab Emirates, said: **“Unity is the path to strength, honor, invulnerability and common wealth”**.

I would like to once again thank His Highness **Sheikh Mohammed bin Zayed Al Nahyan**, President of the UAE, and His Highness **Sheikh Saud bin Saqr Al Qasimi, Emir of Ras Al Khaimah**, for their hospitality and substantive content of the forum program.

I hope that the arrangement our forum will support the development plans of the Emirate, as our forum traditionally attracts investors. Colleagues, I would like to conclude my speech with a quote from **His Highness Al Qasimi**: “Success is not an overnight process; it’s a result of consistent effort and dedication.”⁶⁶.

I congratulate you on the start of the **Seventeenth Verona Eurasian Economic Forum** and thank you for your attention!

⁶⁴ US Geological Survey, report Circum-Arctic Resource Appraisal: Estimates of Undiscovered Oil and Gas North of the Arctic Circle, 2008

⁶⁵ TASS Special Project, Past and Future of the Northern Sea Route

⁶⁶ Ras Al Khaimah Government Press Office, [Message from the Ruler Sheikh Saud bin Saqr al-Qasimi](#)

