Absorbing energy transition shock

By Owen Gaffney/ Stockholm

The challenge for politicians is to devise fair policies that protect people from the inevitable shocks

Russia's war on Ukraine has sent shockwaves around the world. Oil prices have skyrocketed and food prices have soared, causing political instability. The last time food prices were this volatile, riots erupted across the Arab world and from Burkina Faso to Bangladesh. This time, the energy and food shock is happening against the backdrop of the Covid-19 pandemic. When will the shocks end?

They won't. So, we can choose either resignation and despair, or a policy agenda to build social and political resilience against future shocks. Those are our options, and we had better start taking them seriously, because the shocks are likely to get worse. On top of geopolitical crises, the climate emergency will bring even greater disruptions, including ferocious floods, mega-droughts, and possibly even a simultaneous crop failure in key grain-producing regions worldwide. It is worth noting that India, the world’s second-largest wheat producer, recently banned exports as part of its response to a devastating heatwave this spring.

But here’s the thing: reducing vulnerability to shocks, for example, by embarking on energy and food revolutions, will also be disruptive. The energy system is the foundation of industrialised economies, and it needs to be overhauled to phase out fossil fuels within a few decades. Huge industries like coal and oil will have to contract, and then disappear. And agriculture, transportation, and other sectors will need to change radically to become more sustainable and resilient.

The challenge for politicians, then, is clear: to devise fair policies that protect people from the inevitable shocks.

One idea with significant potential is a Citizen’s Fund, which would follow a straightforward fee-and-dividend equation. Companies that emit greenhouse-gas emissions or extract natural resources would pay fees into the fund, which would then distribute equal payments to all citizens, creating an economic cushion during a period of transformation and beyond.

This is not just an idea. In 1976, the Republican governor of Alaska, Jay Hammond, established the Alaska Permanent Fund, which charges companies a fee to extract oil and then disburses the proceeds equally to all the state’s citizens. In 2021, each eligible Alaskan received $1,114 – not as a “welfare payment” but as a dividend from a state commons (in this case, a finite supply of oil). The largest dividend ever paid was during Republican Sarah Palin’s governorship in 2008, when every Alaskan enjoyed a windfall of $3,269.

In 2017, James Baker and George Shultz, two former Republican secretaries of state, proposed a similar plan for the whole United States, estimating that fees on carbon emissions would yield a dividend of $2,000 per year to every US household. With backing from 3,500 economists, their scheme has broad appeal not just among companies and environmental-advocacy groups but also (and more incredibly) across the political aisle.

The economics is simple. A fee on carbon drives down emissions by driving up the price of polluting. And though companies would pass on these costs to consumers, the wealthiest would be the hardest hit, because they are by far the biggest, fastest-growing source of emissions. The poorest, meanwhile, would gain the most from the dividend, because $2,000 means a lot more to a low-income household than it does to a high-income household. In the end, most people would come out ahead.

But given that food- and energy-price shocks tend to hit low-income cohorts the hardest, why make the dividend universal? The reason is that a policy of this scale needs both broad-based and lasting support, and people are far more likely to support a programme or policy if there is at least something in it for them.

Moreover, a Citizen’s Fund is not just a way to drive down emissions and provide an economic safety net for the clean-energy transition. It would also foster innovation and creativity, by providing a floor of support for the entrepreneurs and risk-takers we will need to transform our energy and food systems.

A Citizen’s Fund could also be expanded to include other global commons, including mining and other extractive industries, plastics, the ocean’s resources, and even knowledge, data, and networks. All involve shared commons – owned by all – that are exploited by businesses that should be required to pay for the negative externalities they create.

Of course, a universal basic dividend is not a panacea. It must be part of larger plan to build societies that are more resilient to shocks, including through greater efforts to redistribute wealth by means of progressive taxation and empowerment of workers. To that end, Earth4All, an initiative I co-lead, is developing a suite of novel proposals that we see as the most promising pathways to build cohesive societies that are better able to make long-term decisions for the benefit of the majority.

Our most important finding is perhaps the most obvious, but it is also easy to overlook. Whether we do the bare minimum to address the grand challenges or everything we can to build resilient societies, disruption and shocks are part of our future. Embracing disruption is thus the only option and a Citizen’s Fund becomes an obvious shock absorber. – Project Syndicate

• Owen Gaffney is an analyst at the Stockholm Resilience Centre and the Potsdam Institute for Climate Impact Research.

Gazprom gas cut casts spell on grain deal

Russia dealt a new blow to European countries over their support for Ukraine yesterday, saying it would further cut gas supplies through its single biggest gas link to Germany. The move came as the fi rst ships to export grain from Ukraine’s Black Sea ports under a deal agreed last week could set sail within days, bringing a measure of hope to countries reliant on such food supplies even though the situation is still clouded by mistrust and potential danger. Both developments showed how the confl ict — now in its sixth month and with no resolution in sight — is having an economic impact way beyond the battlefi elds of Ukraine.

On the frontlines, the Ukrainian military reported widespread Russian artillery barrages in the east overnight and said Moscow’s troops were preparing for a new assault on Bakhmut, a city in the industrial Donbas region. Russian President Vladimir Putin warned the West earlier this month that sanctions imposed on his country for its invasion of Ukraine risked triggering huge energy price rises for consumers around the world. Yesterday, Russian energy giant Gazprom, saying it was acting under the instructions of an industry watchdog, said fl ows through the Nord Stream 1 pipeline would fall to 33mn cubic metres per day from yesterday.

That is half of the current fl ows, which are already only 40% of normal capacity. Prior to the war Europe imported about 40% of its gas and 30% of its oil from Russia. The Kremlin says the gas disruption is the result of maintenance issues and Western sanctions, while the European Union has accused Russia of resorting to energy blackmail. Germany said it saw no technical reason for the latest reduction. Politicians in Europe have repeatedly said Russia could cut off gas this winter, a step that would thrust Germany into recession and lead to soaring prices for consumers already faced with painfully high energy costs. The Kremlin has said Moscow is not interested in a complete stoppage of gas supplies to Europe. Rising energy prices and a global wheat shortage are among the most far-reaching eff ects of Russia’s invasion of Ukraine. They threaten millions in poorer countries, especially in Africa and the Middle East, with hunger. Ukraine said on Monday it hoped a UN-brokered deal to try to ease the food shortages by resuming grain exports from Black Sea ports would start to be implemented this week. Offi cials from

Russia, Turkey, Ukraine and the United Nations agreed on Friday there would be no attacks on merchant ships moving through the Black Sea to Turkey’s Bosphorus Strait and on to markets. Moscow brushed aside concerns the deal could be derailed by a Russian missile strike on Ukraine’s port of Odesa on Saturday, saying it targeted only military infrastructure.

Russia’s Black Sea fl eet has blocked grain exports from Ukraine since Moscow’s February 24 invasion. Moscow denies responsibility for the food crisis, blaming Western sanctions for slowing its food and fertiliser exports and Ukraine for mining the approaches to its ports. Under Friday’s deal, pilots will guide ships along safe channels. A Ukrainian government offi cial said he hoped the fi rst grain shipment from Ukraine could be made from Chornomorsk this week, with shipments from other ports within two weeks. “We believe that over the next 24 hours, we will be ready to work to resume exports from our ports,” deputy infrastructure minister Yuriy Vaskov told a news conference. A United Nations spokesperson, speaking in New York, said the fi rst ships may move within a few days.

A Joint Coordination Center will liaise with the shipping industry and publish detailed procedures for ships in the near future, he said. Russian Foreign Minister Sergei Lavrov, speaking during a tour of African countries, said there were no barriers to the export of grain and nothing in the deal prevented Moscow from attacking military infrastructure in Ukraine. The Kremlin also said the United Nations must ensure curbs on Russian fertiliser and other exports were lifted for the grain deal to work. Before the invasion and subsequent sanctions, Russia and Ukraine accounted for nearly a third of global wheat exports.

No trash goes to waste on recycling Greek islands

By Sebastien Malo/ Tilos

Before the tiny Greek island of Tilos became a big name in recycling, taverna owner Aristoteles Chatzifountas knew that whenever he threw his restaurant’s trash into a municipal bin down the street it would end up in the local landfill.

The garbage site had become a growing blight on the island of now 500 inhabitants, off Greece’s south coast, since ships started bringing over packaged goods from neighbouring islands in 1960.

Six decades later, in December last year, the island launched a major campaign to fix its pollution problem. Now it recycles up to 86% of its rubbish, a record high in Greece, according to authorities, and the landfill is shut.

Chatzifountas said it took only a month to get used to separating his trash into three bins – one for organic matter;

the other for paper, plastic, aluminium and glass; and the third for everything else.

“The closing of the landfill was the right solution,” he told the Thomson Reuters Foundation. “We need a permanent and more ecological answer.”

Tilos’ triumph over trash puts it ahead in an inter-island race of sorts, as Greece plays catch-up to meet stringent recycling goals set by the European Union (EU) and as institutions, companies and governments around the world adopt zero-waste policies in efforts to curb greenhouse gas emissions.

“We know how to win races,” said Tilos’ deputy mayor Spyros Aliferis. “But it’s not a sprint. This is the first step (and) it’s not easy.”

The island’s performance contrasts with that of Greece at large. In 2019, the country recycled and composted only a fifth of its municipal waste, placing it 24th among 27 countries ranked by the EU’s statistics office.

That’s a far cry from EU targets to recycle or prepare for reuse 55% of municipal waste by weight by 2025 and 65% by 2035.

Greece has taken some steps against throwaway culture, such as making stores charge customers for single-use plastic bags.

Still, “we are quite backward when it comes to recycling and reusing here,” said Dimitrios Komilis, a professor of solid waste management at the Democritus University of Thrace, in northern Greece.

Recycling can lower planet-warming emissions by reducing the need to manufacture new products with raw materials, whose extraction is carbon-heavy, Komilis added.

Getting rid of landfills can also slow the release of methane, another potent greenhouse gas produced when organic materials like food and vegetation are buried in landfills and rot in low-oxygen conditions.

And green groups note that zero-waste schemes can generate more jobs than landfill disposal or incineration as collecting, sorting and recycling trash is more labour-

intensive.
But reaching zero waste isn’t as simple as following Tilos’ lead – each region or city generates and handles rubbish differently, said researcher Dominik Noll, who works on sustainable island transitions at Vienna’s Institute of Social Ecology.
“Technical solutions can be up-scaled, but socioeconomic and sociocultural contexts are always different,” he said.
“Every project or programme needs to pay attention to these contexts in order to implement solutions for waste reduction and treatment.”
Tilos has built a reputation as a testing ground for Greece’s green ambitions, becoming the first Greek island to ban hunting in 1993 and, in 2018, becoming one of the first islands in the Mediterranean to run mainly on wind and solar power.
For its “Just Go Zero” project, the island teamed up with Polygreen, a Piraeus-based network of companies promoting a circular economy, which aims to design waste and pollution out of supply chains.
Several times a week, Polygreen sends a dozen or so local workers door-to-door collecting household and business waste, which they then sort manually.
Antonis Mavropoulos, a consultant who designed Polygreen’s operation, said the “secret” to successful recycling is to maximise the waste’s market value.
“The more you separate, the more valuable the materials are,” he said, explaining that waste collected in Tilos is sold to recycling companies in Athens.
On a June morning, workers bustled around the floor of Polygreen’s recycling facility, perched next to the defunct landfill in Tilos’ arid mountains.
They swiftly separated a colourful assortment of garbage into 25 streams – from used vegetable oil, destined to become biodiesel, to cigarette butts, which are taken apart to be composted or turned into materials like sound insulation.
Organic waste is composted. But some trash, like medical masks

or used napkins, cannot be recycled, so Polygreen shreds it, to be turned into solid recovered fuel for the cement industry on the mainland.

More than 100 tonnes of municipal solid waste – the equivalent weight of nearly 15 large African elephants – have been sorted so far, said project manager Daphne Mantziou.

Setting up the project cost less than € 250,000 ($254,550) – and, according to Polygreen figures, running it does not exceed the combined cost of a regular municipal waste-management operation and the new tax of €20 per tonne of landfilled waste that Greece introduced in January.

More than ten Greek municipalities and some small countries have expressed interest in duplicating the project, said company spokesperson Elli Panagiotopoulou, who declined to give details.

Replicating Tilos' success on a larger scale could prove tricky, said Noll, the sustainability researcher.

Big cities may have the money and infrastructure to efficiently handle their waste, but enlisting key officials and millions of households is a tougher undertaking, he said.

"It's simply easier to engage with people on a more personal level in a smaller-sized municipality," said Noll.

When the island of Paros, about 200km northwest of Tilos, decided to clean up its act, it took on a city-sized challenge, said Zana Kontomanoli, who leads the Clean Blue Paros initiative run by Common Seas, a UK-based social enterprise.

The island's population of about 12,000 swells during the tourist season when hundreds of thousands of visitors drive a 5,000% spike in waste, including 4.5mn plastic bottles annually, said Kontomanoli.

In response, Common Seas launched an island-wide campaign in 2019 to curb the consumption of bottled water, one of a number of its anti-plastic pollution projects.

Using street banners and on-screen messages on ferries, the idea was to dispel the common but mistaken belief that the local water is non-potable.

The share of visitors who think they can’t drink the island’s tap water has since dropped from 100% to 33%, said Kontomanoli.

“If we can avoid those plastic bottles coming to the island altogether, we feel it’s a better solution” than recycling them, she said.

Another anti-waste group thinking big is the nonprofit DAFNI Network of Sustainable Greek Islands, which has been sending workers in electric vehicles to collect trash for recycling and reuse on Kythnos island since last summer.

Project manager Despina Bakogianni said this was once billed as “the largest technological innovation project ever implemented on a Greek island” – but the race to zero waste is now heating up, and already there are more ambitious plans in the works.

Those include CircularGreece, a new €16mn initiative DAFNI joined along with five Greek islands and several mainland areas, such as Athens, all aiming to reuse and recycle more and boost renewable energy use.

“That will be the biggest circular economy project in Greece,” said Bakogianni. – Thomson Reuters Foundation

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على خط الترسيم.. mtv 500 مليار دولار ثروات لبنان النفطية

على وقع إشتداد المعارك العسكرية في اوكرانيا والعقوبات الدولية بحق روسيا التي تهدد صادرتها من النفط والغاز، ما يؤجج المخاوف حيال شتاء قارس في اوروبا، دخلت الدول الاوروبية معركة عنوانها "تأمين البدائل عن الطاقة الروسية" من مصادر أخرى وفي صلبها دول شرق المتوسط، فهل يمكن للبنان أن يشكل يوما ما مصدرا للغاز والنفط نحو القارة الاوروبية؟
فقد نظمت إدارة الـmtv لقاءً حواريا ً بين الخبير الدولي في شؤون النفط والغاز د. رودي بارودي وعدد من الاعلاميين والمراسلين في المحطة تركز حول ثروات المتوسط وترسيم الحدود والامكانات المتاحة امام لب

https://euromenaenergy.com/wp-content/uploads/2022/07/2022-07-15_10-48-21_1.mp4
نان على وقع إستمرار المفاوضات لترسيم الحدود.

North Field expansion to see

world's 'most responsibly produced LNG,' says Shell CEO

The North Field expansion that will include carbon capture and storage is expected to see the "most responsibly produced LNG" in the world, noted Shell CEO Ben van Beurden.

Speaking in Doha Tuesday, van Beurden said, "This expansion is good news for Qatar… for the world… and for Shell.

"Because this responsibly produced gas is consistent with Qatar's energy sustainability strategy, and also for Shell's strategy to become a net zero emission energy business by 2050."

He said "natural gas plays a role an important role in world wide transition to net zero emissions energy system."

"If we switch from coal to gas for production of iron or steel, that can result in a reduction of CO2 equivalent, saving 38%. And that is very significant."

van Beurden said, "I thank His Highness for taking the decision to end the moratorium of the development of NF in 2017. It was a crucial step forward towards realising Qatar's National Vision for 2030."

"I am honoured that Shell has been selected by QatarEnergy as a partner in the NFE project. Through its pioneering integration with carbon capture and storage, this landmark project will help provide LNG the world urgently needs at a lower carbon footprint. This agreement deepens our strategic partnership with QatarEnergy which includes multiple international partnerships such as the world-class Pearl GTL asset."

"We are committed to maximise the value of the LNG expansion for the State of Qatar and continue to be a trusted, reliable and long-term partner in Qatar's continued progress," van Beurden noted.

QatarEnergy Tuesday announced the selection of Shell as partner in the North Field East (NFE) expansion project, the single largest project in the history of the LNG industry.

The partnership agreement was signed at a ceremony in QatarEnergy's headquarters by HE the Minister of State for Energy Affairs Saad Sherida al-Kaabi, also the President and CEO of QatarEnergy, and Ben van Beurden, in the presence of senior executives from both companies.

Pursuant to the agreement, QatarEnergy and Shell will become partners in a new joint venture company (JV), in which QatarEnergy will hold a 75% interest while Shell will hold the remaining 25% interest.

In turn, the JV will own 25% of the entire NFE project, which includes 4 mega LNG trains with a combined nameplate LNG capacity of 32mn tonnes per year.

Other buyers could join North Field expansion 'if they add

value’: Al-Kaabi

HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi said other buyers could join the $29bn North Field expansion “if they add value”.

Speaking to reporters in Doha Tuesday al-Kaabi, also the President and CEO of QatarEnergy said, “We had been in discussions with several buyers – or value added partners as well call it, around the world who have shown interest… and very eager interest I would say.

“It depends on the value they add…if they add value they would come in. We are proceeding with the project, regardless. There could be some, if we find good opportunities and a win-win situation. We really are not in a rush to do that…there is no big need to do that.”

On the “value added partners”, the minister noted, “Basically, they need to be a buyer of LNG… so they need to demonstrate that they can give us a price that is above the market price. This is because they will be coming into the best project that exists in the LNG business from a cost perspective and from a return perspective (in the world) and the largest ever built.”

Al-Kaabi said QatarEnergy has very capable marketing organisations that are working on marketing these volumes – and the likes of Shell only add to additional marketing capability.

The minister said QatarEnergy had finalised the selection of IOCs in the North Field East (NFE) Expansion project following its selection of Shell as a partner.

QatarEnergy and Shell will become partners in a new joint venture company (JV), in which QatarEnergy will hold a 75% interest while Shell will hold the remaining 25% interest.

This agreement is the fifth and last in a series of partnership announcements in the multi-billion dollar NFE project, which will raise Qatar’s LNG export capacity from the current 77mn tonnes per year (mtpy) to 110 mtpy.

The North Field East (NFE) expansion project is the single largest project in the history of the global LNG industry.

Double-edged sword: Global hunger and climate goals

Poor or rich, societies across the world are now suffering from an unprecedented food and hunger crisis.

A United Nations gauge of world food prices has jumped more than 70% since mid-2020 and is near a record after Russia’s invasion of Ukraine.

Battling hunger has garnered heightened attention this year, as the Ukraine crisis choked exports from one of the world’s biggest crop suppliers, stoking food inflation and potentially leaving millions more undernourished.

The global agriculture sector won’t eradicate hunger by the end of the decade or meet climate goals from the Paris

Agreement without a major overhaul, key agencies have cautioned.

A UN pledge to eliminate hunger by 2030 appears out of reach, as low-income nations struggle to afford better diets, the Food and Agriculture Organisation said in a joint report with the Organisation for Economic Co-operation and Development.

Greenhouse gas emissions from agriculture are also seen continuing to rise on a business-as-usual path.

The challenges are two of the most vital issues facing the world’s food sector.

Reversing current trends to meet both goals would require a 28% increase in agricultural productivity this decade – triple the rate of the last ten years – highlighting the scale of the problem.

The world’s hunger problem has already reached its worst in years as the pandemic exacerbates food inequalities, compounding extreme weather and political conflicts.

The prolonged gains across the staple commodities are trickling through to store shelves, with countries from Kenya to Mexico reporting higher food costs.

The pain could be particularly pronounced in some of the poorest import-dependent nations, which have limited purchasing power and social safety net.

Soaring food and fuel costs recently helped send US inflation to a 40-year high. The US Department of Agriculture now expects retail food prices to gain 5% to 6% this year – roughly double its forecast from three months ago.

In Lebanon, poverty rates are sky-rocketing in the population of about 6.5mn, with around 80% of people classed as poor, says the UN agency ESCWA.

Last September, more than half of families had at least one child who skipped a meal, Unicef has said, compared with just over a third in April 2021.

Amid a devastating foreign exchange crisis, Sri Lanka, a country of 22mn people, is unable to pay for essential import of food items, fertiliser, medicines and fuel due to a severe dollar crunch.

Food costs account for 40% of consumer spending in sub-Saharan Africa, compared with 17% in advanced economies.

In 2020, Africa imported $4bn of agricultural products from Russia.

Across the world, approximately 1.2bn people live in extreme poverty, on less than one dollar per day, according to a 2018 World Health Organisation report.

At least 17mn children suffer from severe acute malnutrition around the world, which is the direct cause of death for 2mn children every year.

Here’s the disturbing other side of the lingering tragedy.

One-third of all food produced – around 1.3bn tonnes a year – is lost or wasted, according to the FAO. It costs the global economy close to $940bn each year.

In the Gulf, between a third and half of the food produced is estimated to go to waste.

Improving food access through social safety nets and distribution programmes, especially for the most vulnerable, is key to reducing global hunger, according to the latest joint FAO-OECD report. Curbing emissions, reducing food waste and limiting calorie intake in rich countries are measures needed to meet climate goals, it said.

Scholz hints at Lufthansa-like bailout for gas giant Uniper

German Chancellor Olaf Scholz on Sunday hinted that a Lufthansa-like bailout was on the table to rescue gas giant Uniper.

Referring to the €9 billion package to save the German airline, Scholz said that his government was looking into options to help Uniper, Germany's largest gas importer.

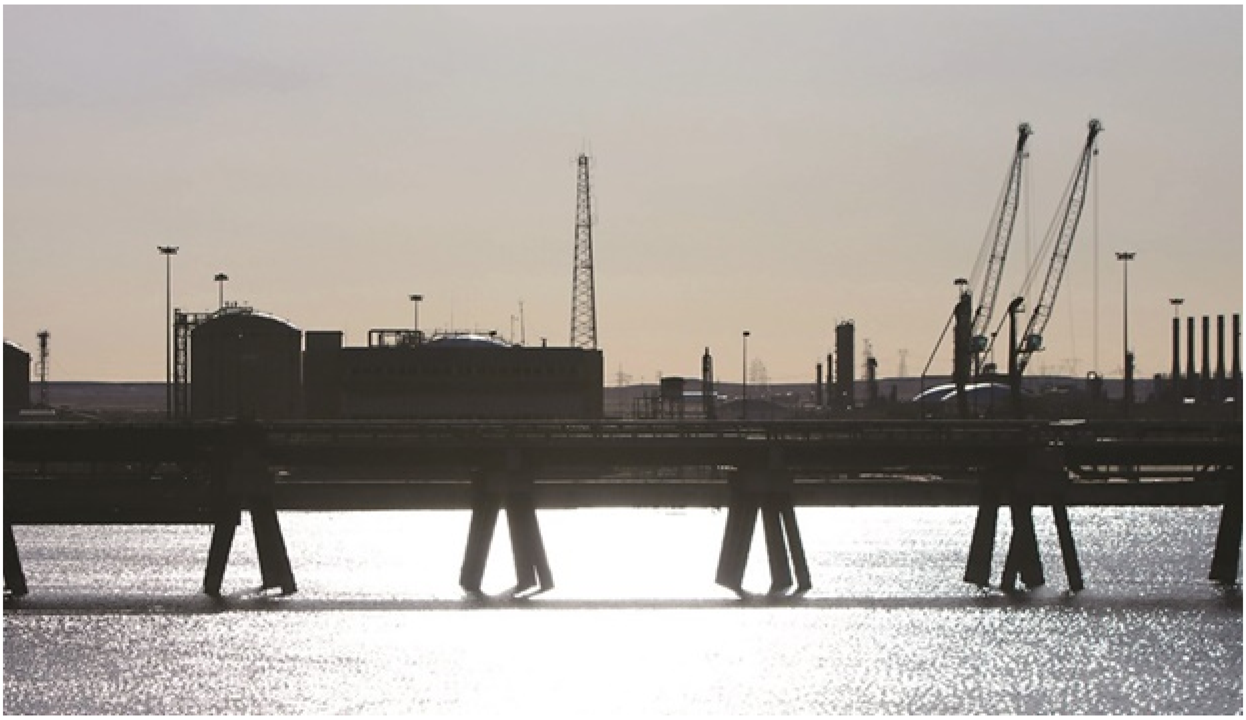
"During the last crisis, we developed very precise instruments – and I drove this forward as finance minister – in order to support companies that have come under pressure from circumstances for which they are not responsible," Scholz said on Sunday in an interview with public broadcaster ARD.

The German government is considering presenting next week an emergency law to share rising gas costs between customers and companies amid fears of a Russian gas cutoff.

Only certain importers, like Düsseldorf-based Uniper, depend strongly on Russian gas and now face a sharp increase in costs as they need to compensate for reduced deliveries with expensive last-minute purchases on the global market.

Hans von der Burchard contributed reporting.

Libya supply drop threatens to further tighten global oil market



Bloomberg/Cairo

Libya’s oil exports have fallen to about a third of last year’s level after the worsening political crisis prompted the suspension of shipments from two of the nation’s biggest ports.
Force majeure has been declared on crude shipments from Es Sider and Ras Lanuf, the country’s largest and third-biggest export terminals, the National Oil Corp confirmed in a statement late Thursday. The ports of Brega and Zueitina haven’t handled any crude for almost two months.
The drop in Libya’s supply threatens to further tighten the global oil market. Brent crude has risen by about 40% this year following the invasion of Ukraine.

Libya's crude and condensate exports have declined over the past four months to a 20-month low of 610,000 barrels a day in June, according to tanker-tracking data compiled by Bloomberg.
The latest port closures are crimping export flows even further. According to Libya's national oil company, crude exports now range from 365,000 to 409,000 barrels a day. The nation, a member of the Organization of Petroleum Exporting Countries, sold an average of 1.1mn barrels a day to overseas markets last year, Bloomberg data show.
The key El Feel field, which is linked to the port of Mellitah is also subject to force majeure, a legal clause which allows companies to suspend contractual obligations due to circumstances beyond their control.
The nation has been mired in conflict since the fall of dictator Muammar Gaddafi in 2011. It's now facing a standoff between two politicians – Abdul Hamid Dbeibah and Fathi Bashagha – who each claim to be the legitimate prime minister.
The recent closures are linked to politics with some protests at ports and fields demanding the transfer of power to Bashagha, the fair and transparent distribution of oil revenues and the dismissal of NOC chairman Mustafa Sanalla.
The closures in recent weeks have also led to the North African nation so far losing 16bn dinars, according to the NOC's latest statement, as well as led to lengthy power cuts especially in the eastern region. Zueitina last exported on May 6 and Brega in mid-April, tanker-tracking data show.
"Political difference is a right, but the mistake is to use oil, the lifeblood of Libyans, as a bargaining chip," Sanalla said in the statement. "It is an unforgivable sin."

JPMorgan sees ‘stratospheric’ $380 oil on worst-case Russian cut

Global oil prices could reach a “stratospheric” $380 a barrel if US and European penalties prompt Russia to inflict retaliatory crude-output cuts, JPMorgan Chase & Co. analysts warned.

The Group of Seven nations are hammering out a complicated mechanism to cap the price fetched by Russian oil in a bid to tighten the screws on Vladimir Putin’s war machine in Ukraine. But given Moscow’s robust fiscal position, the nation can afford to slash daily crude production by 5 million barrels without excessively damaging the economy, JPMorgan analysts including Natasha Kaneva wrote in a note to clients.

For much of the rest of the world, however, the results could be disastrous. A 3 million-barrel cut to daily supplies would push benchmark London crude prices to $190, while the worst-case scenario of 5 million could mean “stratospheric” $380 crude, the analysts wrote.

“The most obvious and likely risk with a price cap is that Russia might choose not to participate and instead retaliate by reducing exports,” the analysts wrote. “It is likely that the government could retaliate by cutting output as a way to inflict pain on the West. The tightness of the global oil market is on Russia’s side.”