

# DAILY ENERGY MARKETS FORUM

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# VIEWS YOU CAN USE

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### Central banks are desperate for someone to blame for the inflation we see today.

But the reality is that the wall of money they have created has been the cause. And they were warned – many economists, very supportive of their policies initially, have said in the last six months that too much easing was going to create inflation. Rising energy prices and food prices have not been the root cause of inflation – it's been monetary policy. And usually, a one-off increase in prices such as energy is not inflationary anyway – it's just a shift in relative prices.

### Is it too late to try and control it?

It's not central banks primarily anymore that can change anything. It's the fiscal packages, and what's in the pipeline for example in the US with the infrastructure projects under way, that will be executed with social expenditure. What happens there will have more immediate impact on energy markets than whether the Fed tapers or not. And even when tapering starts, it won't work as it's just a misallocation of capital, despite being inflationary. Market participants today know that there's no way around taking monetary easing off the table at some point, unless the real economic situation deteriorates because of Covid or another similar crisis. Wall Street knows that this can't go on.

### How much is the European energy crisis weighing on economic recovery?

Not much yet because governments are stepping in with subsidies. However, what we are seeing is natural gas becoming a globally traded commodity, no longer subject to fixed price long term contracts, or to oil. It's become a cyclical and strongly volatile commodity. The other thing we are seeing is this link to the energy transition. It's very disturbing for consumers, especially in Europe, who are used to stable electricity prices, to see this volatility. That will become stronger when the energy substitution is under way and don't forget, government subsidies cannot be used with the energy transition. Add to this the fact that coal is coming back, it's clear that the transition is going to be much harder than people expected. ■

*\*Paraphrased comments*

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