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Energy security push could lower global warming

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KUALA LUMPUR: Countries pursuing energy security above all else could produce lower global warming outcomes than expected, not through climate policy but as a by-product of faster electrification driven by efforts to cut energy imports, according to Wood Mackenzie.

The analytics firm's Energy Transition Outlook 2026-27 found that nations are increasingly choosing energy security and economic growth over climate goals, as geopolitical risk and economic self-interest move to the centre of energy decision-making.

The report analyses five divergent pathways, introducing two new scenarios, Energy Security (2.5°C) and Growth First (3°C), alongside Country Pledges (2°C) and Net Zero 2050 (1.5°C), all modelled around the Base Case (2.6°C), the firm's assessment of the most likely outcome.

Wood Mackenzie Vice President, Head of Scenarios and Technologies, Prakash Sharma said nations are making fundamentally different choices about how to power their economies, and those choices are producing outcomes that confound conventional wisdom.

He said in a statement that countries cannot simultaneously minimise costs, maximise domestic manufacturing, eliminate supply-chain dependencies, accelerate decarbonisation and limit public spending, adding that the current situation is a time for courage and countries must accept trade-offs between competing objectives.

The report's Energy Security scenario models a world in which the 2026 Strait of Hormuz crisis, which halted 15 to 20 per cent of global oil and liquefied natural gas (LNG) flows and pushed Brent crude above US$100 per barrel, becomes a structural turning point. (US$1 = RM4.05)

In this scenario, major economies would accelerate their shift away from fossil fuel imports, deploying electrification, renewables and nuclear power to reduce exposure to supply chain disruption, resulting in warming of 2.5°C by 2100, slightly below the Base Case.

The report also highlighted a cumulative investment opportunity of US$147 trillion to US$189 trillion through 2060 for energy and resources companies, while global liquids demand is projected to peak at about 109 million barrels per day in 2031 under the Base Case.

Under the Base Case, solar, wind and battery capacity are set to surge 60 per cent by 2030 and six times by 2060, while global power demand is on track to double by 2060, driven by electrification, industrial growth and rapidly expanding data centre capacity.

The outlook covers 105 energy markets to 2060, examining demand, supply, investment, emissions and emerging technologies. — Bernama*

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