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Global economy's future is electric, but still dirty

LONDON • More of the world will run on electricity in the future, but most of the power won't be clean.

That's the key message from the International Energy Agency's (IEA) latest report on investment trends released yesterday.

The Paris-based organisation said that electricity generation attracted more capital than oil and natural gas for the second year in a row, but investment in renewables declined and is expected to keep falling.

Running the economy on electricity is just one part of the energy transition. The question of where the power comes from is also key.

Electrifying transport will reduce air pollution in cities, which is largely attributed to nitrogen oxide emissions from vehicles, but the issue will not ultimately be solved if they are simply replaced by carbon dioxide and other pollution from fossil-fuel power plants.

"Global investment in renewables and energy efficiency declined by about 3% last year, and more importantly it could slow down once again this year," Fatih Birol, the IEA's ED, said by telephone. "This is a worrying trend, especially when we think of our clean-energy transition goals and the implications for energy security, climate change and air pollution."

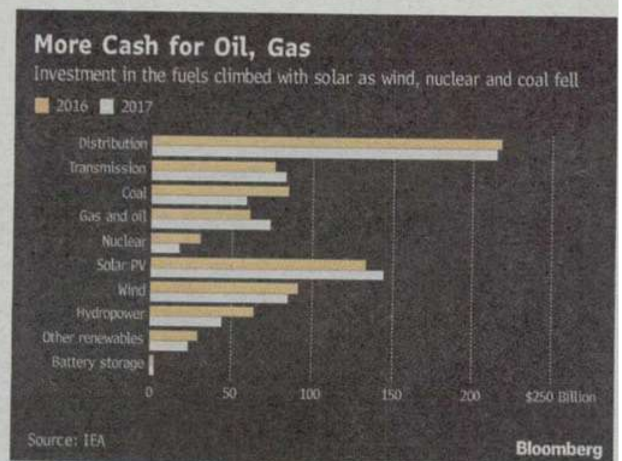
The electricity industry attracted US$750 billion (RM3.03 trillion) in 2017, thanks to robust spending on grids. That's compared to US$715 billion that flowed into oil and gas supply. About US$298 billion was invested in renewable power generation, down 7% from the previous year.

A rise in electrification is expected across almost all sectors, from transport to heavy industry.

The IEA said earlier this year that it projects the global fleet of electric vehicles will more than triple by 2020. Global sales of electric cars totalled US$43 billion in 2017.

The share of fossil fuels in the global energy supply rose for the first time since 2014 to just under 60%, as spending rose in oil and gas and new power plants were built out in Asia. The sector attracted US$132 billion of investment.

Globally, coal has declined, but there are still at least 30GW of new plants about to be constructed, largely in developing countries. The average age of a coal plant in Asia is 11 years old, compared to 40 in Europe and the US, so existing plants will also be operating for decades to come.



While some of the decline in renewables investment can be attributed to the ongoing plummet in equipment costs such as solar panels and wind turbines, growth in capacity additions was also lower, according to Birol. This is due to changes in government policy, he said.

"This is mainly a result of the investors seeing political uncertainty," he said. "Therefore there are hesitations from investors in part to put money in the renewables sector."

China, the world's largest market for renewables, recently amended its policy on solar photovoltaics, slashing domestic installations. This move may cause the price of modules to tumble as much as 35% by the end of the year, according to estimates from *Bloomberg NEF* analysts. — *Bloomberg*