

Virus sparks record drop in energy investment: IEA

May 27 2020, by Julien Mivielle



Clouds on the horizon for the oil industry... lockdowns have dealt a blow to demand and now investment spending is slumping

The energy industry is set to suffer a record drop in investment due to the coronavirus fallout, the IEA said on Wednesday, and while

renewables are likely to fare better than oil, any swift economic recovery could create a global fuel crunch.

In its [annual report](#) on [energy](#) investments, the Paris-based International Energy Agency (IEA) estimated the plunge will be of the order of one-fifth from 2019 levels, or almost \$400 billion, as firms slash spending amid slumping demand for energy.

Shale oil producers that catapulted the United States to the world's top crude nation stand to suffer the worst decline, the IEA said.

"All the energy sectors—oil, gas, renewables—everything is affected but the biggest impact is on [shale oil](#)," the agency's director Fatih Birol told AFP in an interview.

"Total oil investments we expect to decline one third this year whereas the shale industry will see a decline of about 50 percent."

However, spending in renewable power projects is expected to fall by only around 10 percent for the year, the report said.

"Even though this 'clean' spending is set to dip in 2020, its share in total energy [investment](#) is set to rise," it noted.

But it noted "these investment levels remain far short of what would be required to put the world on a more sustainable pathway," estimating that spending on renewable power would need to double by the late 2020s.



Investment in renewable energy is expected to dip but fare better than fossil fuels

Crisis to come?

The IEA has long warned that insufficient investment may leave the industry unable to meet rising demand.

"There is a risk that today's cutbacks lead to future market imbalances, prompting new energy price cycles or volatility," it said.

If oil investment stays at 2020 levels then supply in 2025 would be 9 million barrels per day less than had been expected, the IEA estimated, which could mean tight markets and higher prices if demand resumes it

pre-crisis rising trajectory.

While some may see a drop in spending on oil as a positive development, Birol warned of negative consequences.

"We hope to see a clean energy transition, this should be an orderly energy transition, well designed so it doesn't cause any crisis, any shock," he said.

"It shouldn't be as a result of Covid, it should be as a result of the right energy policies."

Birol signalled in this regard a concerning jump in approvals for coal projects in Asia.

"The findings of our reports are worrying but my chief concern is that the lockdown we have around the world may lead to a lock in of inefficient and old technologies, especially in the emerging world where there are huge debt and financing problems," he said.

The IEA chief called on governments to favour clean energy projects in their coronavirus recovery plans.

"If the governments include the right energy policies in order to accelerate the clean energy transition, we may well see a rebound in clean energy."

© 2020 AFP

Citation: Virus sparks record drop in energy investment: IEA (2020, May 27) retrieved 25 April 2024 from <https://techxplore.com/news/2020-05-virus-energy-investment-iea.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.