

West's Energy Transition Narrative Ignores The Reality in Asia

BY TILAK DOSHI

Abstract

The so-called “energy transition” has dominated both media headlines and academic research concerning energy affairs in recent years, particularly in view of the upcoming UN climate conference in Glasgow, Scotland in November 2021. Nevertheless, this is akin to the tail wagging the dog, as demand for fossil fuels in the developing countries, especially in Asia, shows no signs of abating as these countries struggle to promote economic growth to meet the legitimate aspirations of four-fifths of the world's population for higher standards of living.

BP released its annual “[Statistical Review of World Energy](#)” (70th edition) last week with updated global energy data for 2020. As usual, the publication -- widely hailed as the “bible of the global energy industry” -- was accompanied by widespread media coverage ([here](#), [here](#) and [here](#)). The lead stories in newswires and major newspapers focused on two aspects: the impact of the Covid pandemic in drastically reducing energy demand (and hence carbon emissions) and on the continued “good news” of rapid growth in solar and wind energy capacity. The extensive coverage by the leading dailies were lacking in the far more consequential realities of the dominance of fossil fuels and the role of developing countries -- which account for over 80% of the global population -- in the growth of energy demand.

As energy demand collapsed with the adoption of Covid lockdowns around the world, 2020 registered the biggest fall in carbon dioxide emissions since the Second World War according to the report. Spencer Dale, BP's Chief Economist, noted in [remarks](#) released ahead of the review that this puts the world closer to the path needed for “keeping global warming below 2°C this century” but does not reflect the “decisive shift” needed to meet climate goals backed by the Biden administration, the EU and the whole host of multi-lateral agencies including the International Energy Agency, the World Bank, the International Monetary Fund and the European Central Bank.

While total energy consumption worldwide fell by 4.5% in 2020, the oil component fell even more steeply, by 9.3%. This reflected the collapse in demand for transport fuels in particular. In contrast, wind and solar capacity increase was described as “colossal” by Mr Dale who said that “The increase in installed capacity last year was 50% bigger than at any time seen in history, despite the world (being) in turmoil, despite the largest peace-time recession.” Mr. Dale seems heartened when he says “The trends we are seeing here are exactly the trends we'd want to see as the world transitions to net zero...”

While much of the above seems consistent with the “energy transition” narrative, it is akin to the tail wagging the dog. After decades of government mandates and hundreds of billions of dollars in subsidies in Western Europe and North America, renewables (which includes wind, solar and non-traditional biofuels) constituted a mere 5.7% of global energy use in 2020. Fossil fuels (coal, oil and gas) accounted for 83% of global energy use. Even for the rich countries, fossil fuels provide an average 78% of their energy needs. Another [report](#) published last month found that the share of fossil fuels in the world's total energy mix is as high as a decade ago despite the pressure on governments to act on climate change.

If fossil fuels dominate the energy mix, developing countries, in particular those in Asia, increasingly determine the geographical distribution of energy use. Developing countries accounted for 61% of global energy demand in 2020, with energy consumption in China alone exceeding that of the EU and the US combined. The importance of coal -- that most demonized of the trio of fossil fuels -- to developing countries in Asia is stark. Almost 82% of global coal consumption occurred in the developing world and developing Asia accounted for almost all of it. China alone was responsible for 54% of global coal demand.

Perhaps the role of developing Asia in the evolution of global energy demand is best measured in incremental terms. BP data show that in the 5 years to 2019, developing countries accounted for 88% of the increase in global energy demand. Developing Asia absorbed almost three quarters of the world's increase in energy demand in that period, with China alone accounting for 41%.

As the world emerges from the economic ravages of the pandemic lockdowns, these patterns of energy demand will re-emerge. Indeed, the early signs are already apparent. Energy demand has rebounded as covid vaccines roll out, governments ease lockdowns and passenger and freight traffic surge. Global oil consumption is now [on track](#) to reach pre-covid levels by the first quarter of next year. The bellwether Brent crude price is now at multiyear highs of over \$75 per barrel. The average Brent price for 2020 was just under \$42 per barrel. The Biden administration now faces the supreme irony of pressuring the OPEC+ cartel to open its oil taps while continuing in its quest to shut down domestic oil and gas production in the name of “fighting climate change”. The country now has the highest gasoline prices since 2014, threatening the Democratic administration's already struggling

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popularity polls and its green and infrastructure spending agendas.

While Americans and Europeans pay more for oil and natural gas, the Middle East and Russia gain considerable leverage over these markets. But the most important driver of global energy geopolitics goes beyond the self-displacement of the US as the world's leading oil and gas producer on the supply side. The juggernaut of growing energy demand from the developing countries, above all in Asia, is the elephant in the room.

The plutocrats that regularly converge at the World Economic Forum and the policy makers in Western Europe and the US have been pushing their "Global Reset" and "Build Back Better" agendas in the wake

of the covid pandemic. Can they deny 80% of the world's population from climbing up the very [energy ladder](#) that the now developed countries ascended in order to enjoy their higher standards of living and all the privileges that come along with being richer and healthier? Will they be able to block Chinese President Xi's 2049 centenary [vision](#) of a "great modern socialist nation in all respects", dependent as it is on fossil fuels?

The key oil and gas producers in the Middle East and Russia think not: they have been busy [investing](#) vast sums in expanding their production capacities. They can rest assured that demand for their energy resources will be required for human flourishing for decades to come.

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Further, IAEE has also launched a Scholarship Database, open at no cost to different grants and scholarship providers in Energy Economics and related fields. This is available at <http://www.iaee.org/en/students/ListScholarships.aspx>.

We look forward to your participation in these new initiatives.