

Fossil fuels could become cheaper and more abundant, says IEA

International Energy Agency says transition to clean energy means there will be a surplus of oil, gas and coal

Jillian Ambrose *Energy correspondent*

Wed 16 Oct 2024 06.00 BST

Share



The IEA warned the shift will require green alternatives such as EVs to become cheaper too. Photograph: Christopher Thomond/The Guardian

Fossil fuels could soon become significantly cheaper and more abundant as governments accelerate the transition to clean energy towards the end of the decade, according to the International Energy Agency.

The world's energy watchdog has signalled a new energy era in which countries have access to more oil, gas and coal than needed to fuel their economic growth, leading to lower prices for households and businesses.

The Paris-based agency's influential annual outlook report found that energy consumers could expect some "breathing space" from recent spikes in global oil

and gas prices triggered by geopolitical upheavals because investment in new fossil fuel projects has outpaced the world's demand.

Fatih Birol, the executive director of the IEA, said the report confirms its prediction that the world's fossil fuel consumption will peak before 2030 and fall into permanent decline as climate policies take effect. But continuing investment in fossil fuel projects will spell falling market prices for oil and gas, the IEA added.



Share of electricity generated by fossil fuels in Great Britain drops to record low

“I can’t say whether or not we will see [oil prices of] \$100 a barrel again, but what I can say is that despite the ongoing conflict in the Middle East we are still seeing oil prices in the \$70s,” he said.

Oil prices dipped below \$74 on Tuesday amid growing concern about weak Chinese demand.

The IEA acknowledged that the potential for near-term disruption to oil and gas supply remains, due to conflict in the Middle East, which risks disrupting exports of crude and gas from the region. But its long-term view shows an “easing in underlying market balances” and “lower prices on the horizon”, it said.

By the end of the decade, global oil prices could plateau at \$75 to \$80 a barrel, according to the IEA’s central forecast, compared with an average price of just over \$100 a barrel in 2022 following Russia’s invasion of Ukraine.

The price of gas imported into the EU is also expected to plunge from a record average high of over \$70 (£54) per million British thermal units (MBtu) in 2022 to \$6.50 (£5) by the end of the decade, following a boom in planned gas projects in recent years, according to the IEA.

Investment in exporting liquefied natural gas (LNG) via ships boomed in the wake of Russia's invasion of Ukraine, which drastically cut pipeline imports of Russian gas into Europe. The IEA estimates that the world's LNG capacity will grow by almost 50% by 2030, greater than the world's forecast demand in all three of the agency's modelled scenarios.

The world's rising production of crude oil from new oil projects in the US, Canada and South America could mean that future supplies will outstrip global oil demand growth because China, the world's biggest oil importer, is "wrong-footing" major oil producers by shifting rapidly towards electric vehicles, the IEA said.

"China has been the engine of oil market growth in recent decades, but that engine is now switching over to electricity," the IEA said.

Electric vehicles currently have a share of about 20% of all new car sales worldwide, which could rise to 50% by 2030 under the IEA's central forecast scenario, a level already achieved in China this year. This would erode the world's demand for oil by about 6m barrels of oil a day, according to the IEA.

The "new world" for energy consumers will be more comfortable economically, Birol said, but he warned that the shift will require green alternatives, such as electric vehicles and heat pumps, to become cheaper too if they hope to compete against more affordable fossil fuels.

The IEA has predicted that the surge in demand for clean electricity sources will accelerate further in the years ahead, adding the equivalent of Japan's power demand to the world's total electricity use each year in a scenario based on today's policy settings. This demand would rise even more quickly if governments set new policies that align with the global goal of achieving net zero emissions, the IEA said.