Source : www.livemint.com Date : 2021-02-11

OIL NATIONS FACE $9 TN SHORTFALL AS DEMAND FALTERS: ANALYSIS

Relevant for: Indian Economy | Topic: Infrastructure: Energy incl. Renewable & Non-renewable

Oil and gas producing nations face up to nine trillion dollars in lost income as the world accelerates the transition to renewable energy, saddling poorer but resource-rich nations with higher risk of stranded assets, an analysis showed Thursday.

Over 400 million people live in the worst affected countries, where declining fossil fuel revenues could see government income fall by at least 20%, leading to cuts in public services and greater unemployment, according to an assessment by the Carbon Tracker industry watchdog.

Half of those set to be impacted live in Nigeria, where a 70% drop in oil revenues would cut state income by one third, it found.

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As renewable energy such as wind and solar becomes cheaper than fossil fuels, oil producing nations collectively risk a $13 trillion loss by 2040, compared with industry expectations.

The report warned that governments needed to act now to reduce dependence on oil and gas revenues or face the risk of wasted capital and obsolete infrastructure projects.

Andrew Grant, head of climate, energy and industry at Carbon Tracker, said recent net-zero announcements from global powerhouses such as China and Japan have added impetus to the shift away from highly polluting energy.

"Clearly for certain places in the world there will be trade-offs," he told AFP.

"Thinking about fossil fuel producing countries who are reliant on fossil fuel revenues to balance their budgets, they're going to have to face challenges."

"It really is a matter of when, rather than if," he added.

The analysis found that seven countries, including Angola and Azerbaijan, could lose at least 40% of total government revenues by 2040 if oil failed to hold its price at long-term OPEC forecast levels of $60 a barrel.

Nigeria, Algeria, Saudi Arabia, Kuwait and Iraq were among 12 nations that could lose between 20-40% of government revenues, while Russia, Mexico and Iran were set to lose between 10-20%, the study said.

The 2015 Paris climate deal enjoins nations to work to limit temperature rises to "well below" two degrees Celsius (3.6 Farenheit) above pre-industrial levels through sweeping cuts in greenhouse gas emissions.

Under the framework ratified in that accord, richer nations and businesses are supposed to provide $100 billion annually to countries most vulnerable to climate change.

Half of that money is meant to help those states adapt to the heating planet and to green their economies with new technology.

The analysis said that countries could be helped to transition with funding for technical assistance, as well as regulatory and tax reform to ease the shock of weaning their economies off of fossil fuels.

Pointing to social unrest caused by government decisions to lower oil and gas subsidies -- which increases the cost for the consumer -- Grant said states needed to improve their messaging.

"These things are always framed as an increase in price of a tax. But it's not like the money is disappearing, you can do other things with it," he said.

"It's about making sure people are aware of the opportunities, not just the cost."

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