

Past the tipping point

Blog post by Practice Lead Ermenegilda Boccabella, 10 June 2020

The covid-19 crisis has more than shaken our society, it has changed us. Almost every element of day-to-day life has been altered or adjusted. Some of those changes might be permanent. None more so than the energy sector.

Over the last decade, renewables have crept up in market share, and in the last few years, the writing has been on the wall for high carbon high emitters as public policy and investors alike have turned away from them. The massive drop in primary energy demand resulting from the covid-19 crisis looks set to be a tipping point for the energy sector. The wholesale cost of electricity fell, and for example in Germany, renewable energy was able to meet most of the country's energy needs and, in the UK, grids haven't taken power from coal-fired power stations for two months.

The prospect is there is no going back. The questions are about the speed and direction of change and decarbonisation. The calculus of public policymakers and investors is shifting rapidly. The adage of not wasting a crisis has traction, and the European Commission, with an exponential funding proposal, is clearly following that line. The green elements of the recovery plan, Next Generation EU, put forward by commission president von der Leyen prioritise emissions reductions across the economy.

Stimulus programmes will feed money into shovel-ready projects that will increase climate ambition and reduce overall emissions. The deep refurbishment required of building stock, both residential and commercial, to optimise energy efficiency is job-rich. Digitisation of energy grids, installation of solar and wind capacity and expansion of recycling infrastructure are some of the programmes that can get people back to work, in industries and sectors that will provide the most significant advancement. Finally backing blue and green hydrogen technologies by scaling up production, building infrastructure and allowing the fuel to fill the gaps that renewables can't.

Support and fresh investment will be directed to those industries and sectors that match our society's net-zero future.

Policymakers are being persuaded by the argument that the additional debt we accumulate in responding to covid-19 shouldn't be matched by adding to emissions and pollution. And not wasting this crisis is going to be about recovering and restructuring to decarbonise. We saw France and Germany come together with an EU budget proposal that fed into the European Commission's "Roadmap to Recovery" and Germany has taken the first step announcing its ramp-up of electrolyser capacity to 5 GW by 2030 and doubling capacity to 10 GW by 2040.

Clean energy investment, in Europe and the UK, will be easiest to scale up, as scaffolding to do so is firmly in place. Whether or not we have passed the tipping point already, this is an opportunity to shift gears to accelerate towards net-zero.