News Release Archive

S&P Global publishes latest Energy Transition Outlook

Five-part series covers natural gas, coal, nuclear, oil and renewables.

NEW YORK, Sept. 19, 2022 /PRNewswire/ -- S&P Global has published its latest Energy Transition Outlook. In a five-part series of articles, analysts from S&P Global Ratings, S&P Global Commodity Insights and S&P Global Market Intelligence provide their views on the latest developments in the energy transition.

According to the report, as the energy transition continues to gather pace, decarbonization remains a key priority for both policymakers and market participants. Yet Russia's invasion of Ukraine has thrust security of supply into the spotlight. The report is accessible freely at spglobal.com and key takeaways are below:

Natural Gas

- Demand for gas should keep rising through 2030--fueled by Asia, with demand growth stable in the U.S. and still highly uncertain in Europe--but seems set to drop according to S&P Global Commodity Insights (Platts).
- Security of supply, and gas' comparative price disadvantage versus coal and nuclear power generation in China, mean that, although its use is increasing, gas will represent only 9% of China's primary energy mix by 2030, compared with 30% for the U.S.
- Russia's invasion of Ukraine and subsequent concerns regarding gas supply and interruption risk are accelerating Europe's shift to renewables and greener gases, which could account for 20% of European gas demand by 2030 if the EU achieves its REPowerEU goals.

Renewables

- Renewables are forecast to increase to 60% of power generation in Europe by 2030, and possibly approach 40% in the U.S. and China according to S&P Global Commodity Insights (Platts), but still account for only 18% of global energy demand.
- Continued policy support remains important to reduce credit risks from volatile and potentially declining long-term power prices as the share of zero- or low-marginal-cost plants increases.
- Security-of-supply considerations further support an accelerated renewables rollout, notably in Europe, while back-up facilities, including from power plants fuelled by natural gas, may play an increasing role in the coming decades as the share of intermittent renewable power generation rises.

Nuclear

- China plans to double the share of nuclear in its power mix by 2035 to almost 10% of generation output, whereas in the U.S. and Europe the share of nuclear power will likely reduce to 15% by then from close to 20%, according to S&P Global Commodity Insights (Platts).
- The gas and power crisis in Europe has increased the focus on security of energy supply, possibly leading to greater support for nuclear; while in the U.S., various states have contemplated incentives to extend the lifespan of nuclear plants to support the reliability of the power grid.
- From a credit perspective, S&P Global Ratings generally views new nuclear investments as high risk, not only because of uncertain returns when new builds are exposed to long-term market power prices, but also high construction risks and difficult-to-quantify nuclear asset-retirement obligations.
- We think private investors and operators will remain generally averse to taking on such risks, unless they are mitigated by explicit state backing and/or regulatory or contractual support mechanisms.

Oil

- We expect global oil demand growth to continue into the next decade, peaking at 112 million barrels per day (mbpd), up from 101 mbpd this year as developing markets keep expanding.
- In a scenario where the world is on track toward limiting global warming by 2 degrees, the likelihood of which we consider low, oil demand will still exceed 87 mbpd by 2040, corresponding to a decrease of 1.5% per year on average, according to S&P Global Commodity Insights (Platts)' forecasts.
- Should demand decrease more steeply, S&P Global Ratings believes credit risks for the oil sector will be

partly mitigated by OPEC's ability to adjust supplies and by the typical annual 4%-5% natural decline of oil fields.
- We see the access and cost of funding as an important new credit risk for the sector, given investors' increased focus on climate change.

Coal

- Demand for thermal coal is set to decline after peaking in 2024 as coal-fueled power is increasingly replaced with renewables in Europe and the U.S.
- However, transitioning away from coal is complex and slow for countries like China and India, which account for 70% of global coal demand and are facing a steep rise in power demand, with a fairly new coal fleet ensuring affordable power.
- The success of meeting net zero goals for countries like China, India, and Indonesia hinges significantly on the future economic and technical feasibility of carbon capture, usage, and storage technology.

About S&P Global:

S&P Global (NYSE: SPGI) provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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