

NEW ENERGY CAN BECOME THE NEW GLOBAL ORDER

New energy is referring to renewable energy and it is being replaced by fossil fuels and it is moving toward the zero carbon dioxide emissions by 2050.

#market_report

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Introduction

Fossil oils fueled the last century's energy. Entering into the twenty-first century, the renewable energies have been the main focus. But as the Covid-19 struck the global economy earlier this year, demand for oil dropped by more than a fifth and oil prices collapsed. Fossil producers like ExxonMobil has been bumped off from the Dow Jones Industrial Average, having been a member since 1928. Petrostate like Saudi Arabia, who needs an oil price of \$70 to \$80 per barrel to balance their budgets, is looking at just \$40 per barrel today.

Before the Covid-19 the world has changed as governments and investors are more aware to climate change, and a clean-energy industry is drawing the attention. The capital markets have moved to clean-power stocks which are up by 45%. Politicians are beginning to look for support and turning to back the green-infrastructure is becoming important, although in most cases they do not know what they are talking about.

We have noticed two latest incidents, America's Democratic presidential contender, Joe Biden, wants to spend \$2 trillion to decarbonizing the US economy. The European Union's president Ursula von der Leyen, wants to spend 30% of its \$880 billion Covid-19 recovery plan for climate measures. The later one wants to cut the greenhouse-gas emissions by 55% over 1990 level in the next decade.

Today fossil fuels still stand as the ultimate source of 85% of energy. This energy accounts for two-third of greenhouse emissions. Its pollution damages over 4 million people's health a year, this is mainly from emerging world's mega-cities. Where there in oil, there is very little industrial developments. Countries like Venezuela and Saudi Arabia are not politically stable. The US has roughly 60,000 troops in the Middle East looking after its interest.

In this new era, renewable energy such as solar and wind power can rise from its 5% globally to 25% in 2035 and even 50% in 2050. The use of oil and coal will drop, the natural gas, 50% less polluted that oil, will remain.

Droughts, floods, famine and mass dislocation can be avoided and this can bring more stability to politic as supply will be diversified both geographically and technologically.

Whether you like it or not, China can produce 72% of the world's solar modules, 69% of the lithium-ion batteries, and 45% of wind turbines. It is also in control of minerals critical to clean energy, such as cobalt and lithium. China is on the right path.



Europe is also the big developers of wind and solar farm. Companies like Orsted, Enel and Iberdrola are building such projects around the world. Orsted is a Danish company who is the world's top developer for offshore wind-power. Enel is a utility company with its headquarters in Italy, is the single largest investor in wind and solar projects in developing countries. Iberdrola from Spain is also one of the largest investors in wind and solar projects after Enel.



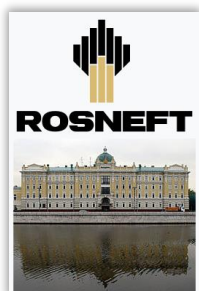
The US development in this has been affected by its rise of shale oil and natural gas, It is already the world's largest oil and gas producer. Its political party, Republican, is reluctant to follow the decarbonization measures.

This transition from petrostates to electrostate is a very risky move. Oil is accounted for 8% world's GDP and can affect 900 million population. This year, the revenue of Saud Arabia fell by 49% in the second quarter. We are facing the consequences of climate change but on the other hand the economic and political turmoil of the shifting to renewable energy. We have not to forget that the annual investment will need \$750 billion and the move is depending to many considerations plus the geopolitical turbulence.

China and Its Strategy

China is the world's largest fossil-oil importer as well as the new index of renewable energy at gigawatt scales. The Covid-19 pandemic has provided a dramatic preview of the world's demand for oil falls instead of rising. In March the petrostates depending on pricey oil for their spending caused a very large deficits, The value of shale sector in the US has fallen by 50% since January. That led ExxonMobil being kicked out from the Dow Jones Industrial Average with a market capitalization of \$155 billion which is less than Nike, a sports shoes company.

China was the first country to have caught the coronavirus and the first to come out. Since then the country continues on its normal path and become stable. Its demand for the oil has not been subsided and for a change it can dictate the price of the crude oil. It is a buyer's market and for strategy China continues to import from Russia, Iran and Venezuela.



China's relationship with Russia was built on occasions during the financial crisis of 2007-09, the China Development Bank lent to its two state-controlled Russian oil companies, Rosneft—oil producer, and Transneft—pipeline builder and operator, the sum of \$25 billion for developing new oil fields and a pipeline which can deliver 300,000 barrels of oil a day to China.



In 2014, the western sanctions over Crimea resulted another gas pipeline from Gazprom, to be built across Siberia to tap into China's need and was opened in December 2019.

We have not to forget that a lot of the oil and gas are coming to China on the sea route and passing through the straits of Hormuz and Malacca would need to be safeguarded from any third-party conflicts especially at this sensitive time.

Domestically, China still has its coal production and nuclear power as well as the renewable energy sectors. Its coal-fired power plant can give it 1,000 gigawatts (GW) of coal-fired generating capacity. This represents the world's 49% of the coal-fired electricity and makes it the world's biggest carbon emitter.

Its wind and solar capacity can give 445 gigawatts, its hydropower has another 356 gigawatts of power. The 48 nuclear reactors is only producing 5% of the country's need, but it is set for 15% by 2050.

Wind and solar power need a lot of those non-ferrous metals like copper. Batteries depend on lithium and cobalt. You can find China's investments in SQM from Chile for its cobalt, battery graded nickel from Indonesia and Democratic Republic Congo's copper and cobalt. It produces 60% of the world's rare earth and all these are important for the production of electrical vehicles and batteries. The supply chain built by China is perhaps ten years more advance than the rest of the world.

Its champion project, Belt & Road Initiative, has built half of its projects into energy according to the World Bank. Its investments in wind and solar companies abroad is starting to surface and lately the western countries are trying to fence away China's investment in this area.

Conclusion

Whoever controls the energy, controls the future. This has been proven in the last century and it was dominated by the fossil fuels. This time we are switching our focus into the renewable energies and we will soon see the switching of the power and wealth. This pandemic is perhaps the catalyst as already been spoken that the change will be very fast at this time because the world order has changed.