Energy Sector – Issues

What is the issue?

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The world of energy is in turmoil and recently, the oil prices have been fluctuating for several months.

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What are the problems faced by energy sector?

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- Low oil prices discourage the oil companies from involving in long-term upstream investment.
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- If prices rise too much, the incentives for consumers to shift to alternative energy sources would increase.
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- The price at which long-term growth in demand could continue would also imply an unending **pressure on profit margins.**
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- Beyond energy sources, ongoing developments within countries are adding to uncertainty in policy and investments. (Ex. US administration decided to cut down EPA budget by 31%).
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What are the issues involved in natural gas sector?

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- Meanwhile, global natural gas consumption is growing faster than all other fossil fuels.
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- Natual gas is proposed as a transition fuel on the pathway towards eventually decarbonising the energy sector later this century.
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- But, expensive infrastructure for shipping, piping, or delivering gas is still

being built and prices remain higher than alternatives are some of the challenges faced by natural gas sector.
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- Even in coutries where gas use is widespread, investment is needed in technologies to transition gas to a zero-carbon energy source.
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- So, firstly, we can shift from natural gas to hydrogen blend fractions by drawing hydrogen from zero-carbon resources such as solar & water.
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- But, it would require costly retrofits to pipeline and gas-using infrastructure.
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- Secondly, increasing the use of biomethane (low net emissions).
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- Even hat would require a lot of land, water and other resources, competing with agricultural uses.
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- Thirdly, do carbon capture, utilisation and storage (CCUS).
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- But the technology for gas CCUS is different from coal carbon capture. It needs more testing, and does not attract investors.
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What India must do?

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- Whether it is the energy source or the major energy consuming regions, **long-term energy planning is both imperative and extremely difficult.**
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- As India deepens channels of energy cooperation with these regions and countries, it must set its own agenda.
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- The complexities of energy markets, energy transitions and energy diplomacy will matter to India the most because its energy demand will grow faster than that of any other country in the G20.
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- India must keep its focus on **three energy mantras**. Energy access for hundreds of millions of deprived citizens; transition to cleaner, more efficient energy; and energy security.
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- These 3 mantras will need technology, trade, finance, partnerships with other governments, private sector, and effective institutions.
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Source: Business Standard

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