World Energy Outlook, 2026

Prelims: *Current events of National and International Importance | Environment | Energy Security*

Why in News?

The International Energy Agency's (IEA) World Energy Outlook 2026 was released recently, as countries negotiate the future of the energy transition at COP31 of the UNFCCC in Antalya, Türkiye.

- **World Energy Outlook, 2026** – It examines how the 2026 Middle East conflict and Strait of Hormuz supply shock are reshaping global energy markets, security, and low-emissions transitions.
- **Released by** – International Energy Agency.
- **Scenarios & Data** – Alongside its Current Policies Scenario (CPS), Stated Policies Scenario (STEPS), and Net Zero Emissions by 2050 Scenario (NZE), the report also analyses policy and security responses across multiple pathways, including the World Energy Outlook 2026 Free Dataset

Key findings

- **Rise in final energy consumption** – Under the IEA's Net Zero Emissions (NZE) Scenario, electricity's share in global final energy consumption could rise from 23% in 2025 to 35% by 2035.
- The findings support the COP31 "35-by-35" pledge, which aims to raise electricity's share of global energy use to 35% by 2035.
- **2026 demand dip** – The IEA projects global oil demand to fall by about 2.7 million barrels per day in 2026 (its first annual drop since 2020) and natural gas demand to decline by roughly 1.5% amid high prices and shortages.
- **Economic benefits** – It could reduce global household energy bills by around 5% and generate 15.6 million additional net jobs by 2035.
- **Investment requirement** – Annual electrification investment needs to reach approximately $800 billion by 2035, nearly three times recent levels.
- **Infrastructure challenge** – Inadequate investment in electricity grids and energy storage may delay renewable energy deployment.
- **Existing policy gap**
    - Current Policies Scenario (CPS) – 28% electrification by 2035.
    - Stated Policies Scenario (STEPS) – 29% by 2035.
    - Net Zero Emissions (NZE) Scenario – 35% by 2035.
- **Faster electrification** – Average global household energy bills could decline by about

5% by 2035.

- The energy sector could gain 15.6 million net additional jobs by 2035 through growth in clean energy, electric technologies, and energy efficiency.
- **Climate & energy access risks** – Higher fuel prices risk slowing gains in electricity and clean cooking access in emerging economies, and current or stated policy trajectories still point to 2.5°C to 2.9°C of warming rather than a 1.5°C pathway.
- The NZE pathway requires oil and gas demand to decline by about 4% annually in the next decade and 7% annually thereafter until 2050.
- **Shift to electrification** – Identifies electrification, energy efficiency and low-emissions energy as ways to reduce countries' exposure to volatile international oil and gas markets.
- The IEA says faster electrification can lower energy costs, create jobs, and enhance energy security.
- **India's Position** – India has not endorsed the COP31 35-by-35 electrification pledge.
- The country has emphasised the principles of climate equity and the need for greater financial support from developed nations for developing economies.

Reference

Down To Earth | IEA Outlook Backs 35% Electrification Goal, but Current Policies Fall Short | IEA | World Energy Outlook 2026

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