

## bp chief economist Spencer Dale discusses the key findings of the 2021 Statistical Review of World Energy

*Interviewed by Emma Jude*

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*So, 2020 was a very dramatic year including for energy markets. What were the key developments?*

Total energy demand fell by 4.5% – that's just huge. Likewise, carbon emissions from energy use fell by 6.3%. Again, the largest fall we've seen for 75 years. And that took the level of carbon emissions back to levels not seen since 2011. So a very dramatic year.

*So, oil demand recorded its largest ever decline last year. What was behind that fall?*

Oil demand fell by over 9%, oil consumption by more than nine million barrels a day, so nine million barrels a day less oil was consumed last year.

We stopped flying, many of us stopped driving our cars. That had just a huge impact on transport related oil demand. And so you saw this this huge, concentrated shock on oil demand, with oil demand falling by more than ever seen in history.

*So how did the oil market respond to this fall in demand?*

Initially, we saw a huge surplus of oil, more oil was being produced than was being consumed. We saw those surpluses in the oil market led to very significant increases in oil inventories, so the stocks of oil grew and those rising inventories then pushed down on oil prices. Some oil prices in the US actually even went negative. So really dramatic impact in terms of the sort of stress we saw in terms of oil markets.

*Carbon emissions recorded their largest fall for 75 years last year. Is this the beginning of a sustained fall in carbon emissions?*

So, yeah, a really dramatic fall. Those lockdowns affecting people, the ability to move and travel and that's then fed through into energy demand and carbon emissions. And so I think the likelihood is, as the virus is brought under control, lockdowns are eased, much of those falls in carbon emissions will be reversed.

And so the challenge we now face is to bring about similar size falls in carbon emissions, as we saw last year, but we need to do that on a sustained basis so they don't reverse and in a way which doesn't have a huge impact on everybody's lives and their livelihoods.

*So, natural gas consumption fell by far less than oil. What accounts for this relative resilience of natural gas?*

China's natural gas demand grew by almost 7% last year. The other thing helping to add to that resilience is natural gas prices fell very sharply and that fall in natural gas prices meant the competitiveness of natural gas relative to coal increased and so it allowed natural gas to gain share relative to coal in some key power sectors in the US and the EU.

*Despite the events of last year, wind and solar power continue to grow strongly, how is that possible?*

Cost of wind has fallen by around 40%. The cost of solar closer to 55%. And it's those massive cost falls in wind and solar which has allowed this continuing expansion of wind and solar power. Even in a world where power demand was actually declining last year, the world was in turmoil, despite all that, the largest ever increase in wind and solar capacity.

*So how is this growth in wind and solar power changing global power markets?*

Over the last five years, that wind and solar power generation has accounted for around 60% of total increases in power generation. So accounting for the majority of the growth of power over the last five years. And what we saw last year was that increase in share of wind and solar came largely at the expense of coal. We need strong growth in wind and solar power crowding out coal. And that's exactly what we saw last year.

*And finally, Glasgow in Scotland will host this year's UN climate conference, COP26, which is arguably the most significant climate conference since Paris in 2015. What lessons can we learn from recent developments for the prospects of Glasgow COP26 and for the energy transition more generally?*

Countries committed to net zero targets in one form or another now cover around 70% of global carbon emissions. Over 3000 companies around the world are now committed to net zero. So a clear increase in levels of ambition. And the challenge now is to make sure those levels of ambition get translated into significant sustained falls in carbon emissions. So the challenge for Glasgow is to take the steps so that ambition and intent gets translated into significant sustained falls in carbon emissions.

*Well, Spencer, thank you very much for your time. It's been fascinating to hear about The Statistical Review and all the changes that last year brought, so thank you very much for speaking to me today.*

Thank you, Emma. Thank you.