

# **The global energy outlook and what it means for Portugal**



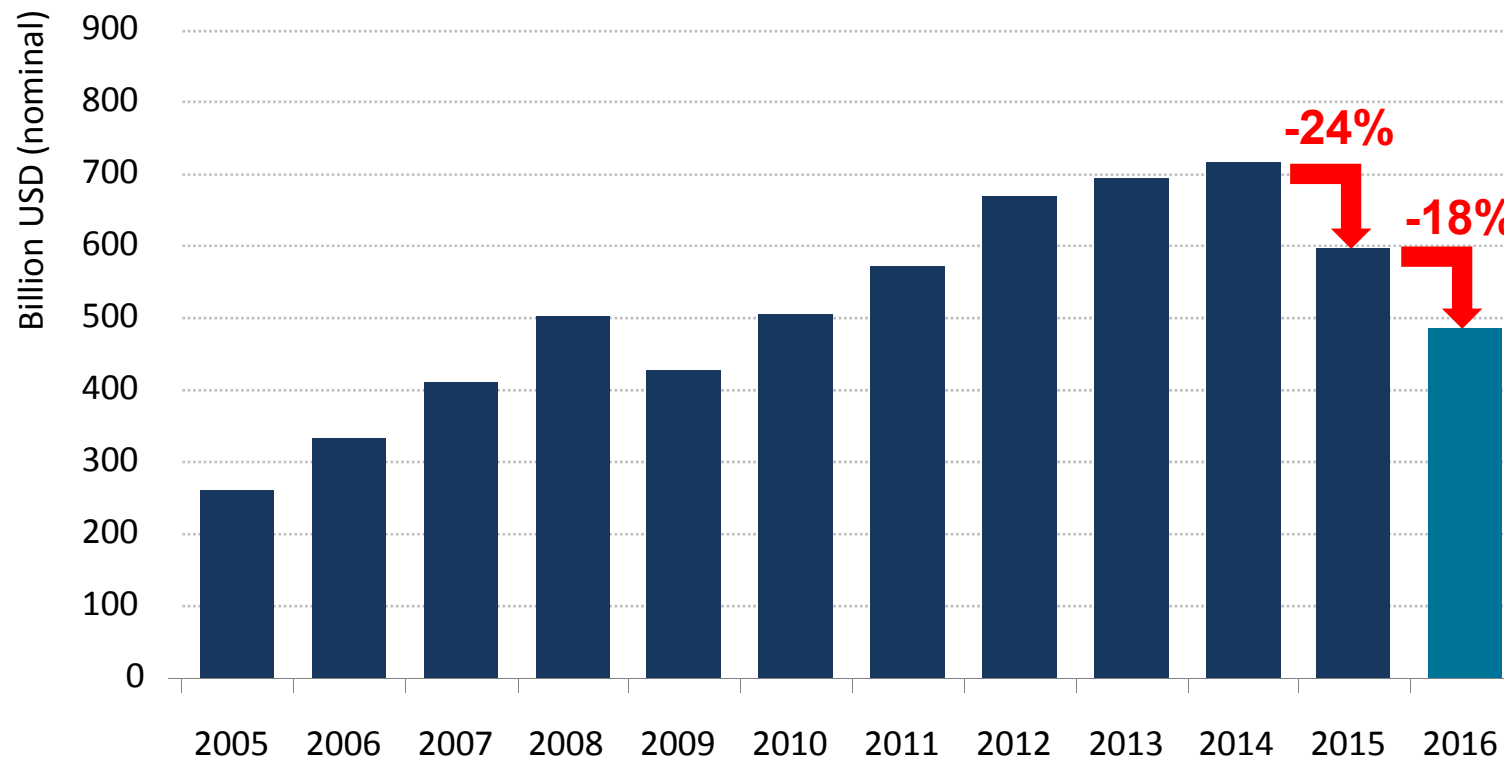
**Dr. Fatih Birol**  
**Executive Director, International Energy Agency**  
**Portugal IDR launch**  
**Lisbon, 13 April 2016**

# The European context

- Downturn in prices for all fossil fuels
  - *Oil & gas facing second year of falling upstream investment in 2016*
  - *Coal prices remain at rock bottom as demand slows in China*
- An ongoing shift towards clean energy technologies is being driven by policy action & cost reductions
  - *Renewables accounted for over 90% of new global electricity generation in 2015*
  - *Portugal is a leading performer in renewable electricity*
- COP21 was an historic milestone that can stimulate energy sector innovation
  - *Pledges of 180+ countries account for 95% of emissions*
  - *EU intends to reduce GHG emissions by at least 40% by 2030*

# Upstream oil and gas investment continues to fall

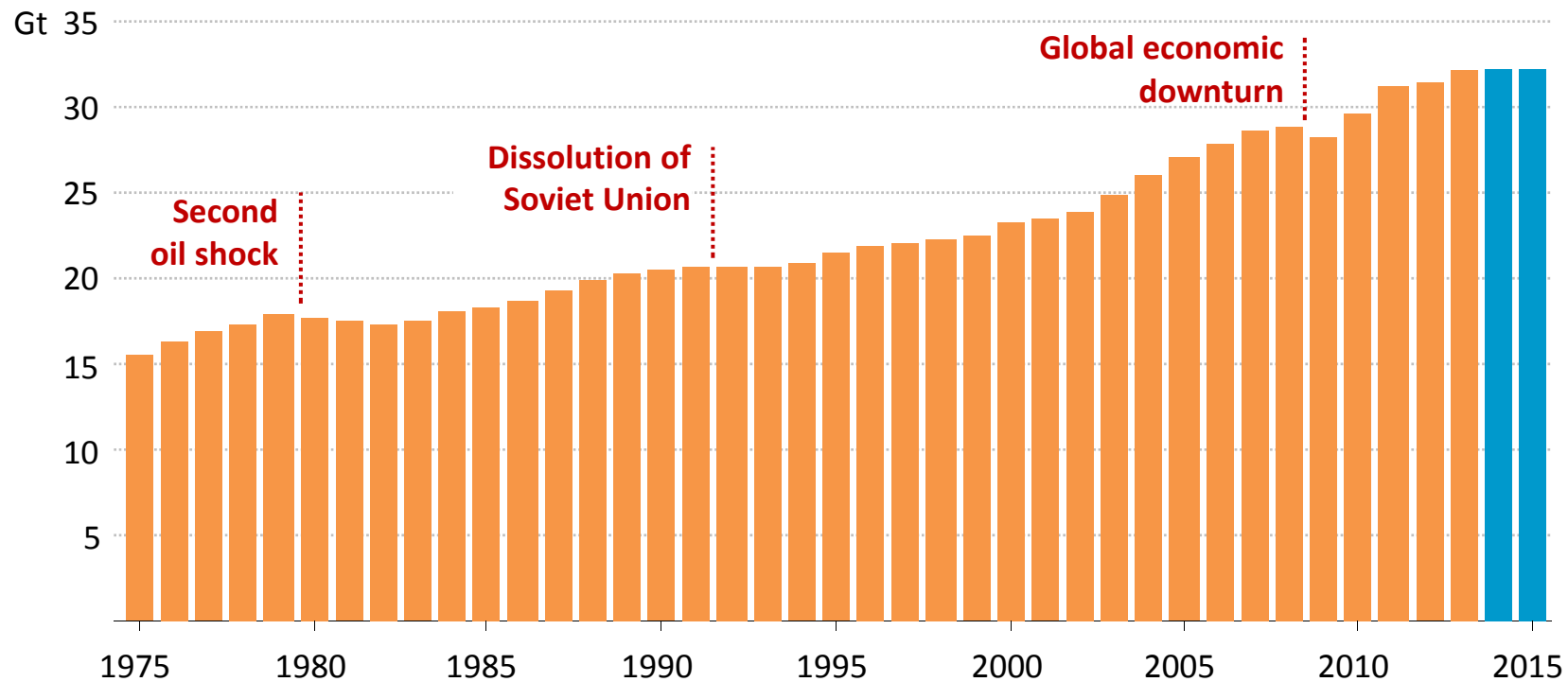
## Upstream oil and gas investment



***Upstream oil and gas investment continues to fall, particularly in high-cost regions; this raises the prospect of increasing reliance on the Middle East in the future***

# Global energy emissions – peaked?

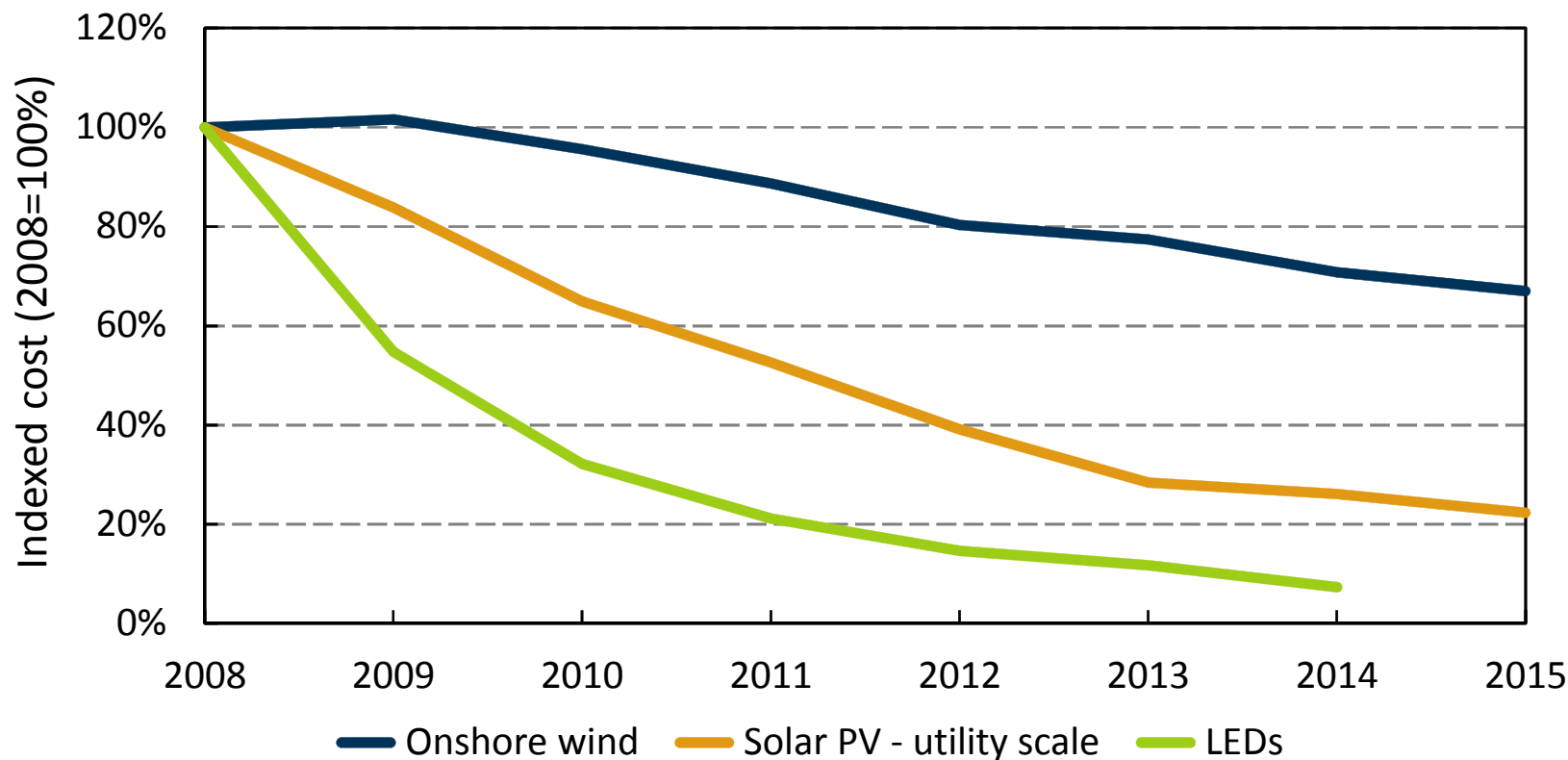
## Global energy-related CO<sub>2</sub> emissions



***IEA analysis shows renewables, led by wind, and improvements in energy efficiency were key to keeping emissions flat for a second year in a row***

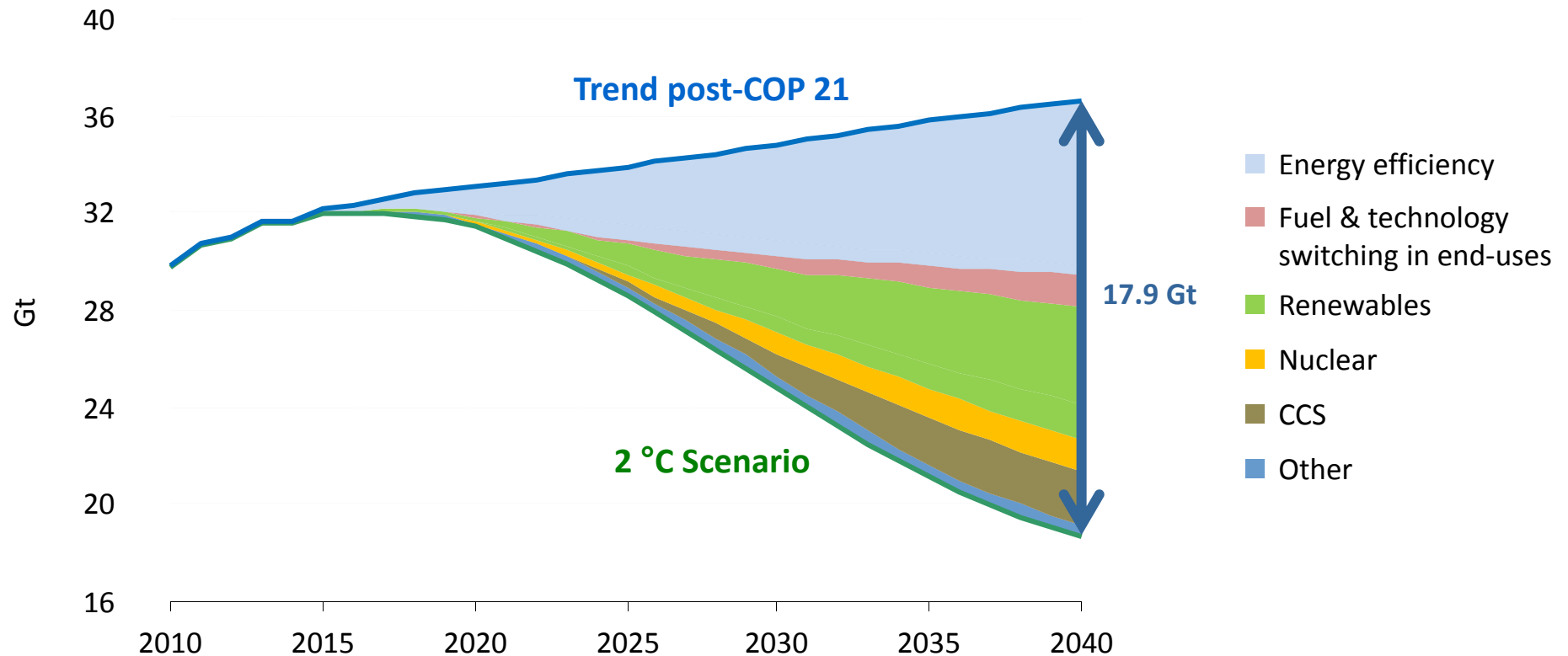
# The cost of clean energy continues to fall

## Indexed cost of onshore wind, utility scale PV and LED lighting



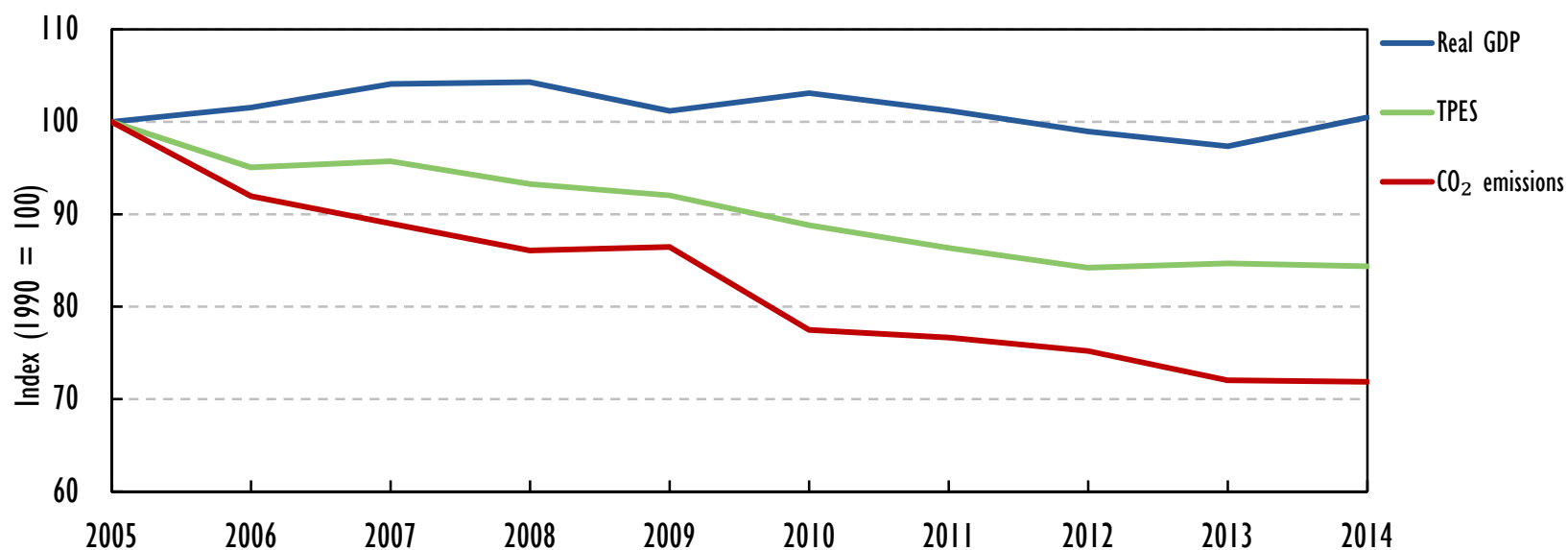
***The falling cost of clean energies opens new opportunities, but support mechanisms need to be reviewed as costs decline***

# Greater efforts are still needed to reach a 2°C pathway



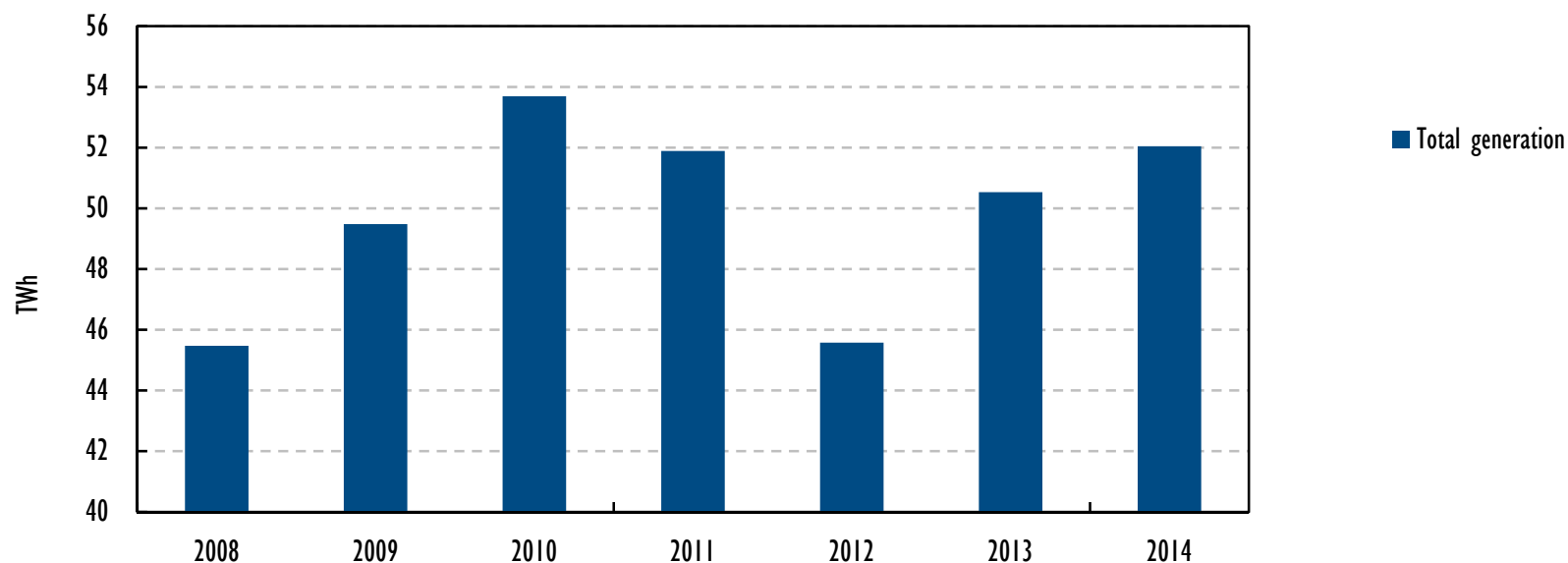
***Energy efficiency & renewables account for the bulk of the additional emission reductions required for a 2°C pathway, but all forms of clean energies are needed***

# How can Portugal contribute?



***Portugal has decoupled GHG emissions and energy demand from economic growth, although the recession played a part***

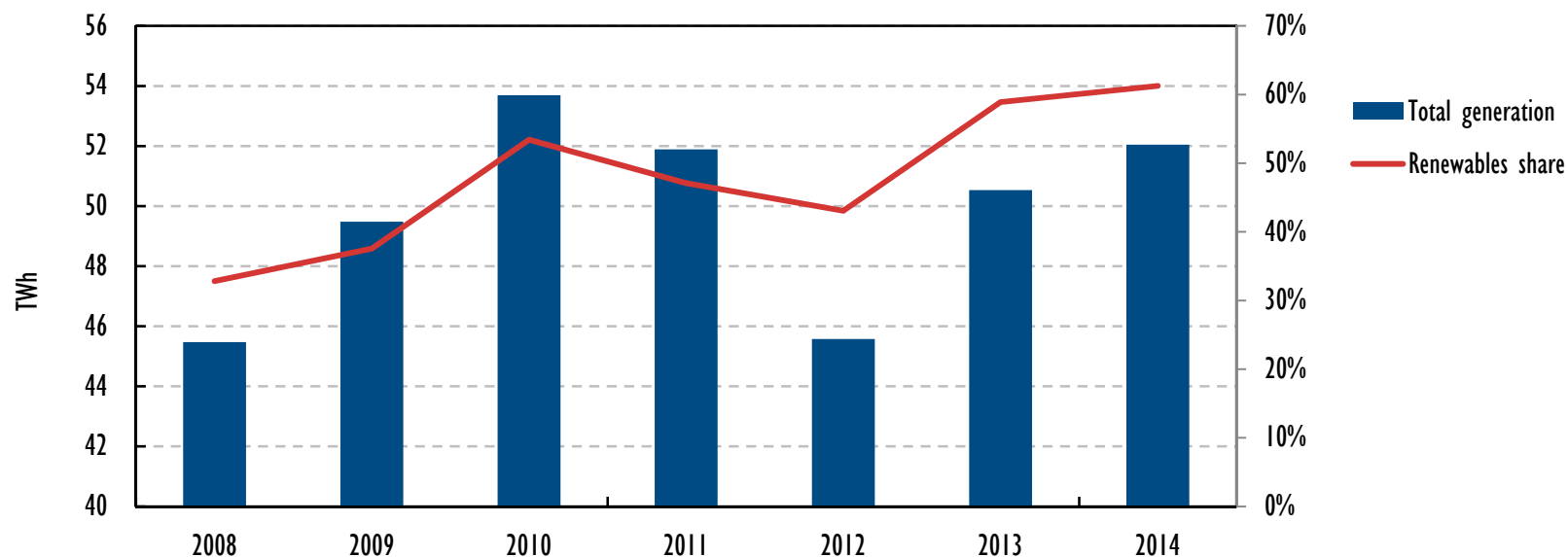
# Portugal is among the European leaders in renewables energy



***In addition to benefits, the growth in renewables raises challenges, which must be addressed if policy is to be sustainable over the long term***

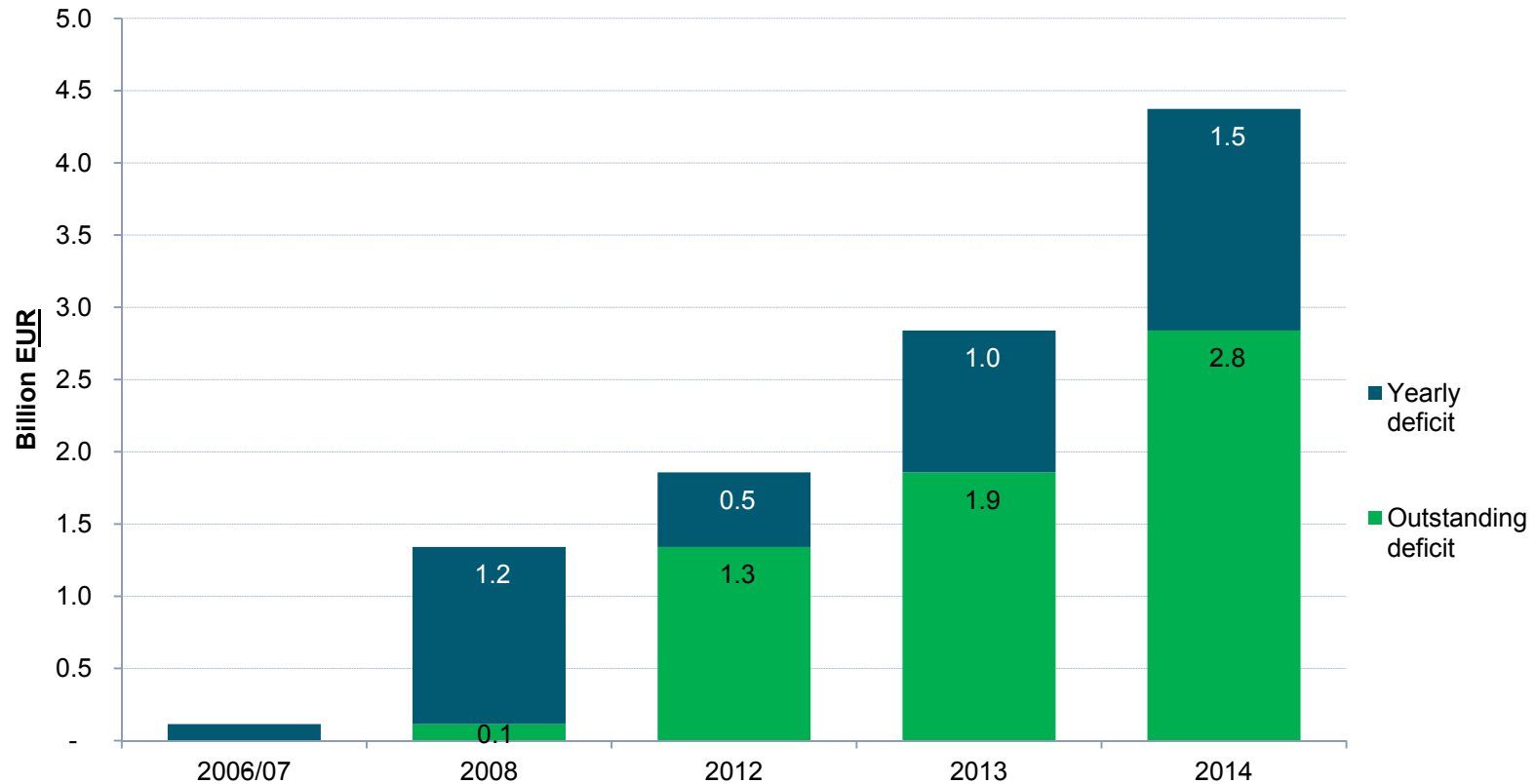


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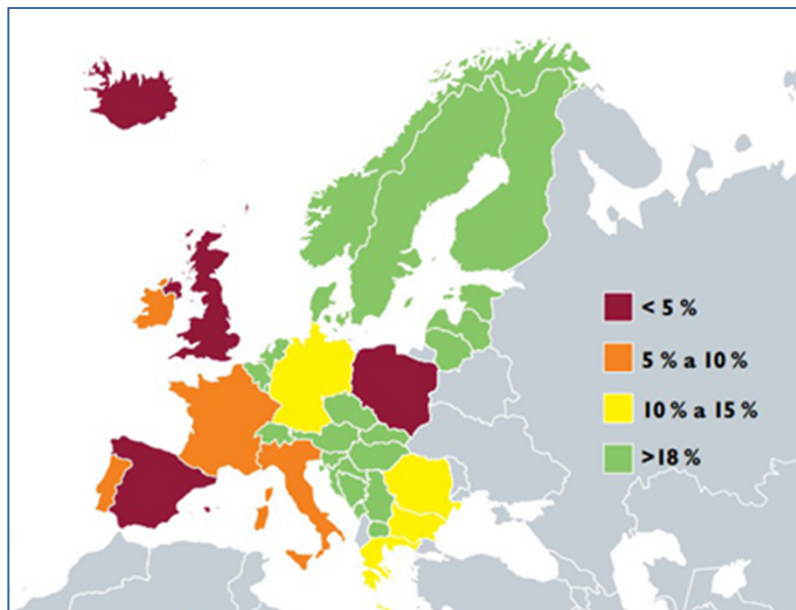
# Tackling the tariff deficit



***Portugal made some hard decisions to reduce the tariff deficit: policy makers must continue to provide transparency, predictability and certainty***

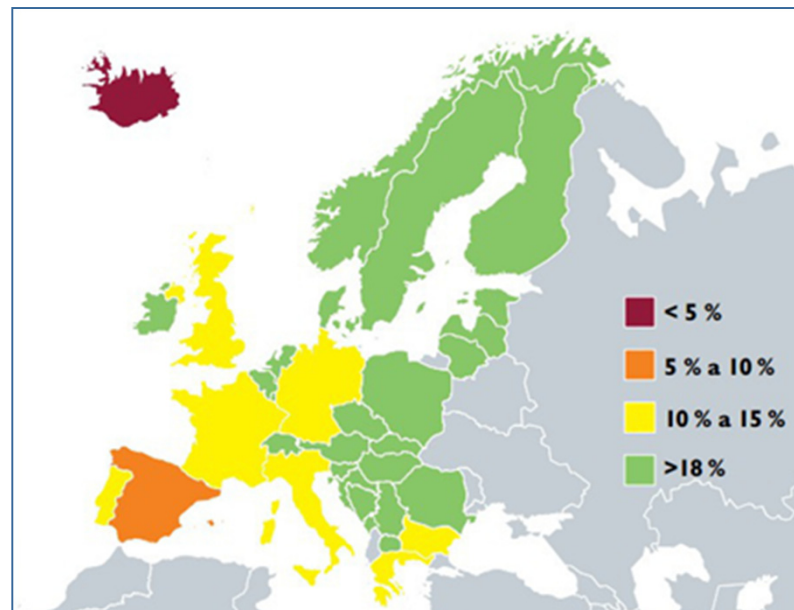
# Bridging an energy island: Iberian Peninsula must become closer to Europe

2011



Source: ENTSO

2020



***Interconnection capacity between Iberia and rest of Europe is set to rise to 8 GW by 2020, short of EU 10% target, and too low to realise full benefits of internal market***

# IEA recommendations: how can Portugal meet its challenges?

- Implement all measures to reduce the tariff deficit by 2020
  - *Continue to tackle excessive rents in the energy sector*
  - *Focus on market reform: tariff structures, wholesale markets and MIBGAS*
- Pursue the development of further energy interconnections with mainland Europe
- Maintain its commitment to renewables but shift focus to cost-efficient mechanisms to bring renewables closer to market
- Finally, with looming energy security & environmental challenges, international co-operation is more vital than ever